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ABSTRACT

This volume discusses the eligibility requirements for student and parent borrowers from federal financial aid programs. It reviews the factors an aid administrator must consider when reviewing a student's application for a loan and outlines the administrator's responsibilities in checking to make sure that recipients qualify for their aid awards. The guide also describes changes made to this edition. The primary changes are the elimination of the paper financial aid transcript, its replacement with the transfer monitoring process, and the new regulations establishing a 3-year conditional period for cancellation of Student Financial Aid (SFA) loans due to total and permanent disability. Some other changes are described. The sections of the volume are: (1) "School-Based Requirements"; (2) "Citizenship"; (3) "NSLDS Financial Aid History"; (4) "Social Security Matches"; (5) "Selective Service"; (6) "Expected Family Contribution"; (7) "Financial Need and Packaging"; and (8) "Overawards and Overpayments." (SLD)

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volume 1

ED 454 763

STUDENT FINANCIAL AID HANDBOOK

2001-2002

HE034120

# Student Eligibility

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u.s. department of education

# Student Financial Aid Handbook

## Volume 1 of 9

Application and Verification Guide

Student Loan Guide

**Volume 1: Student Eligibility**

Volume 2: Institutional Eligibility and Participation

Volume 3: Pell Grant Program

Volume 4: Campus-Based Common Provisions

Volume 5: Perkins Loans

Volume 6: Federal Work-Study

Volume 7: Federal Supplemental Educational Opportunity Grants

Volume 8: Direct Loan and FFEL Programs

Volume 9: State Grant Programs

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# Introduction

i

*This volume of the SFA Handbook discusses the eligibility requirements for students and parent borrowers and your responsibilities in checking to make sure that recipients qualify for their aid awards.*

## SOURCES OF INFORMATION

There are many factors that you must consider when reviewing a student's application for aid from the SFA programs, such as whether the student is a U.S. citizen or permanent resident, whether the student is making satisfactory academic progress, and whether the student has a defaulted SFA loan. To answer these questions, you receive information about the student from several different sources, including the Department of Education's Central Processing System (CPS) for financial aid applications and the National Student Loan Data System.

Throughout the year, the Department provides updates to schools in the form of Dear Colleague Letters and Action Letters. These letters, and other information (such as Federal Register notices), are available on the *Information for Financial Aid Professionals* (IFAP) web site (http://ifap.ed.gov). The Department also posts system updates and technical guidance announcements on the IFAP site.

Schools using software from the Department also receive desk references and other materials that explain how the software operates. This publication doesn't cover the operation of specific pieces of software. Schools using third party software should consult the reference materials they receive from the software vendor.

**Program and systems information on-line**

**Student Aid Internet Gateway (SAIG)**
**www.sfadownload.ed.gov**
*Technical References and Users Guides for—*
- *CPS*
- *Electronic Data Exchange*
- *RFMS EDE Pell*
- *Direct Loans*
- *SSCR*
- *FISAP*
- *Packaging*

**IFAP at ifap.ed.gov**
- *Federal Registers*
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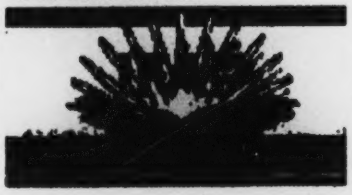
- *Dear Partner Letters*



## RECENT CHANGES

The primary changes to the 2001-2002 *Student Eligibility* volume are the elimination of the paper financial aid transcript (FAT), its replacement with the transfer monitoring process, and the new regulations establishing a three-year conditional period for cancellation of SFA loans due to total and permanent disability (see Chapter 3 for discussion of these issues). Of course, many minor edits were made to clarify issues and keep dates current. In particular, you may want to review the new images that we've included for immigration documents (chapter 2).

The other changes to this volume are organizational: some of the chapters in last year's Student Eligibility volume were removed to form the new *Application and Verification Guide*. As that title suggests, it comprises the subjects relating to applying for federal aid and verifying applicants. The rest of the student eligibility material remained in this volume.

If you have comments regarding the SFA Handbook, please contact Research and Publications via e-mail at sfaschoolspubs@ed.gov.

# School-Based Requirements

## CHAPTER 1

*In this chapter, we discuss student eligibility requirements that don't require information from the Department's systems. The school determines on its own whether the student meets these eligibility requirements. In some cases the financial aid office will need to get information from other school offices, such as the admissions office or the registrar, or from other organizations, such as high schools or testing agencies.*

### REGULAR STUDENT IN AN ELIGIBLE PROGRAM

An individual must be enrolled as a regular student in an eligible program in order to receive SFA funds (with two exceptions that are discussed later). A regular student is someone who is enrolled or accepted for enrollment for the purpose of obtaining a degree or certificate offered by the school. The definition of an eligible program is discussed in detail in the *SFA Handbook: Institutional Eligibility and Participation.*

A school is only required to document a student's enrollment in an eligible program at the time of admission. However, your school must have a system to notify the financial aid office should the student leave the program at any time during the course of enrollment. You must also document that an aid recipient is a regular student.

▼ *Conditional acceptance.* Some schools admit students under a conditional or provisional acceptance. For example, a student might be conditionally accepted until he or she provides further documentation, such as academic transcripts or test scores, or demonstrates an ability to succeed in the program (by receiving acceptable grades in program coursework). Typically the school will limit the student's enrollment, in terms of number of courses or enrollment status, until the student meets the necessary conditions.

Students admitted as conditional are regular students only if they are officially accepted into the eligible degree program, as determined by the school's admission policies. The Department does not define the meaning of official acceptance or admission. If the student is merely allowed to take some courses before being officially admitted to the program, she is not considered to be a regular student and is not eligible until she is officially admitted.

**Basic student eligibility issues:**

**→ must be enrolled as a regular student in an eligible program**

**→ elementary/secondary enrollment precluded**

**→ must have high school diploma, equivalent, or pass ability-to-benefit test**

**→ must make satisfactory progress**

**Regular student cites & examples**

*HEA Sec. 484(a)(1), (b)(3), (4);*
*34 CFR 668.32(a)(1)*

*Lem Community College allows anyone with a high school diploma or the equivalent to enroll in any of its courses. Many of these students do not intend to receive a degree or certificate. Lem requires students who want to receive a degree or certificate to complete a form stating which degree or certificate they are studying for and to meet regularly with an academic advisor. It considers such students to be regular students; other students in the same classes are not regular students.*

### Conditional acceptance examples

*Example 1. Guerrero University allows students to take graduate courses before they have taken the GRE, but it limits them to no more than three courses and does not admit them into its graduate programs until they have submitted acceptable GRE scores. They aren't regular students and aren't eligible for SFA funds.*

*Example 2. Park University accepts students into its graduate programs on the condition that the students receive no grade lower than a "B" in the first three courses in their program. During this time, Park University considers these students to be admitted into the graduate programs, so they are eligible for SFA funds. If, however, students receive a grade lower than a B in any of the first three classes, their admittance will be withdrawn, and they then will be ineligible for SFA funds.*

### Continuing Education Examples

*Example 1. Park University has a continuing education department that offers many on-line (telecommunications) courses that students in other departments of the school may take and that apply to the degree or certificate program the students are enrolled in. These are regular students who are eligible for SFA funds.*

*Example 2. Guerrero University has a continuing education department that offers many courses. Some students enroll in these courses without being admitted to the university. They are not regular students and are not eligible for SFA funds.*

▼ *Continuing education.* Students who enroll in courses in a school's continuing education department without being admitted into an eligible degree or certificate program are not regular students and are not eligible for SFA funds. However, if a student has been admitted into an eligible degree or certificate program and then enrolls in courses in the continuing education department that apply to his degree or certificate program, he would be a regular student and eligible for SFA funds.

### *Remedial coursework*

Remedial coursework prepares a student for study at the postsecondary level. If a student is enrolled solely in a remedial program, the student is not considered to be in an eligible program and thus is not eligible for SFA funds. Although the student is not a regular student in an eligible program, he or she might be eligible for Direct Loan or FFEL funds, as described under "Preparatory Coursework." If the student's acceptance into the eligible program is contingent on completing the remedial work, the student cannot be considered to be enrolled in the eligible program until he or she completes the remedial work.

You cannot count noncredit remedial hours in the student's enrollment if the noncredit remedial course is part of a program that leads to a high school diploma or its recognized equivalent. A student is never permitted to receive funds for GED training or for high school, even if the GED or high school training is offered at postsecondary schools. These remedial hours must not be counted, even if the course is required for completing the postsecondary program.

If the student is admitted into an eligible program and takes remedial coursework within that program, the student can be considered a regular student. In addition, you may count a limited amount of the remedial coursework in the student's enrollment status for the purposes of financial aid. The remedial coursework must be at least at the high-school level, as determined by the state legal authority, your school's accrediting agency, or the state agency recognized for approving public postsecondary vocational education.

You can't take into account more than one academic year's worth of remedial coursework for a student. For the purposes of this limit, an academic year's worth of coursework is 30 semester or trimester hours, 45 quarter hours, or 900 clock hours. ESL courses don't count against these limits. If the remedial coursework is noncredit or reduced-credit, you must determine how many credit hours the coursework is worth to count it in the student's enrollment (see "Enrollment Status" for more information).

### Preparatory coursework

A student not enrolled in a degree or certificate program is eligible for Stafford and PLUS loans for a period of up to one year if the student is taking coursework necessary for his or her enrollment in an eligible program. The coursework must be part of an eligible program otherwise offered by the school, although the student does not have to be enrolled in the eligible program. If a student is enrolled at least half time in these prerequisite courses and if the courses are part of an eligible program, the student is eligible for loans for one consecutive 12-month period beginning on the first day of the loan period for which the student is enrolled. If the 12-month period of preparatory coursework represents more than one academic year, the student may receive multiple loans.

To be eligible under this exception, the student must be taking courses that are a prerequisite for admission. If the student is simply taking the courses to raise his or her GPA in order to be admitted, the student would not qualify for loans under this exception.

### Teacher certification coursework

A student may receive Perkins Loans, Federal Work Study, Stafford Loans, and PLUS loans if he or she is enrolled at least half time in a required teacher certification program, even though the teacher certification program does not lead to a degree or certificate awarded by the school. To qualify, the program must be required for elementary or secondary teacher certification or recertification in the state where the student plans to teach or in the state where the student is completing the program. Optional courses that the student elects to take for professional recognition or advancement, and courses recommended by your school but not required for certification do not qualify. You should document that the courses are required by the state for teacher certification.

A student with a bachelor's degree who is enrolled in a postbaccalaureate teacher certification program can also receive a Pell in certain limited situations. If your school doesn't offer a bachelor's degree in education and the student is enrolled at least half-time, taking teacher certification courses required by the state that don't lead to a graduate degree, the student is eligible for a Pell Grant. For more details, see *Volume 3: Pell Grants.*

**Preparatory Coursework Example**

*Eddy has a bachelor's degree, with a major in mathematics. He wants to enroll in a graduate computer science program at Guerrero University. He needs 12 more semester hours of computer science coursework to meet Guerrero's admission requirements. He enrolls in courses that are part of Guerrero's undergraduate degree program, but because he is not enrolled for the purpose of receiving an undergraduate degree, he is not a regular student. However, because the coursework is necessary for his enrollment in the graduate program, he may receive a FFEL or Direct Loan for this coursework.*

**Elementary/Secondary Enrollment Cites**
*HEA Sec. 484(a)(1), 34 CFR 668.32(b)*

**Elementary or Secondary Enrollment Example**
*Lida is a junior in high school. She enrolls in an electronics technician program at Lem Community College; the coursework is offered in the evenings and weekends, so she can still attend her high school classes. The electronics technician program is an eligible postsecondary program, and Lida will receive a certificate from Lem when she completes the program. However, she is not eligible for aid because she is still enrolled in high school.*

**Secondary School Enrollment Example**
*Owen, a student at Guerrero University, decides to take a driver's education course at the local high school during the summer. Because his state does not require driver's education for the high school diploma, he is not considered to be enrolled in secondary school, and could receive financial aid for summer courses taken at Guerrero, provided he is a regular student there.*

**Academic Qualification Cites**
*Sec. 484(d), 34 CFR 668.32(e)*

**Recognized Equivalent of a High School Diploma Cites**
*34 CFR 600.2*

## ELEMENTARY OR SECONDARY ENROLLMENT

A student enrolled in elementary or secondary school is not eligible for aid from the SFA programs, even if he or she is simultaneously enrolled in an eligible postsecondary program. A student is considered to be enrolled in a secondary school if he or she is pursuing a high school diploma. A student who has completed the diploma requirements but has not yet received a diploma is still considered to be enrolled in secondary school if he or she is taking postsecondary coursework for which the high school gives credit. A student who has completed but not received a diploma is also considered to be enrolled in secondary school if the high school granting the diploma still considers the student to be enrolled at that high school.

An adult pursuing a GED (not a high school diploma) would not be considered to be enrolled in secondary school. However, as mentioned earlier, a student can't receive aid for the GED training, although she could receive aid for coursework at the postsecondary level provided she met ability-to-benefit requirements. An adult taking special courses at a high school that are not part of the state's high school diploma requirements would not be considered to be enrolled in secondary school.

## ACADEMIC QUALIFICATIONS (DIPLOMA OR ABILITY TO BENEFIT)

To receive SFA funds, a student must be qualified to study at the postsecondary level. For SFA purposes, a student with a high school diploma or its recognized equivalent is considered qualified. Your school isn't required to ask for a copy of a high school diploma or GED. A school may accept as documentation a student's statement that he or she has a high school diploma or GED.

A student without a diploma or equivalent can be eligible for SFA funds if he or she passes a Department-approved test or enrolls in a school that participates in a Department-approved state process (no state processes have yet been approved). We'll discuss these "ability-to-benefit" tests after the equivalents to a diploma.

### *Equivalents to a high school diploma*

The Department recognizes several equivalents to the high school diploma:

- General Education Development (GED) and state certificates.
- For a student enrolling in an program at the associate-degree level or higher, documentation that the student excelled academically in high school and has met the school's admissions standards.
- A student's postsecondary school academic transcript if the student has completed a program of at least two years in length that is acceptable for full credit toward a bachelor's degree.

- A certificate of completion of a home-study program if the student's home state recognizes the certificate as the equivalent of a high school diploma.

Some states, while recognizing certificates of completion for home-study programs, do not consider those certificates to be equivalent to high school diplomas. Students in these states are eligible for aid if their home-study programs did not cause them to violate state truancy laws. Note, however, that these students must be above the age of compulsory attendance in order for your school to enroll them without jeopardizing its institutional eligibility (see the definitions for eligible institutions in *Volume 2*).

### Ability-to-Benefit (ATB) Test

If the student doesn't have a diploma or the equivalent, he or she can still qualify by passing a Department-approved test, called an ability-to-benefit test. The approved tests are listed in this chapter. Your school doesn't have to use the same test for all its students, but can pick whichever one is most suitable for each individual student.

▼ *Arranging for ATB tests.* The regulations also specify testing procedures that your school must follow. You should make arrangements with one or more test administrators, who must be certified by the test publisher. You should contact the test publisher to locate a certified test administrator. Certified test administrators may include high school guidance counselors, test and measurement experts, human resource development professionals, qualified professional educators, or regional Armed Forces Command staff who are experts in education, training, and human resource development.

▼ *Ensuring independent testing.* To be independently administered, a test must be given by an individual or by an organization with no current or prior financial or ownership interest in the school, its affiliates, or its parent corporation other than the interest generated through its agreement to administer the approved test. The test can't be given by a current or former employee, consultant, or student of the school, an owner or member of the board of directors, a person with a financial interest in the school, or a relative of any of these individuals. In addition, the test administrator cannot score the test, but must submit it to the publisher for scoring.

A test is also independently administered if it is given at an assessment center. An assessment center is located at an eligible degree-granting school or public vocational institution, and is responsible for evaluating students for multiple purposes, such as course placement. It must not have administering ATB tests as its primary purpose. The assessment center must be staffed by professionally trained personnel and be independent of the admissions and financial aid process. An assessment center may score students' tests, unless its agreement with the test publisher prohibits it.

**Diploma equivalent example**

*Kitty enrolls in the bachelor's degree program at Bennet College. She didn't graduate from high school, and doesn't have a GED. Bennet looks at her high school records to see if she excelled academically in high school. Because she had a C average, Bennet decides she didn't excel academically, and so doesn't have the equivalent of a high school diploma. If she were enrolled in a two year program that counted as two years of her bachelor's degree, she'd have the equivalent of a high school diploma when she completed that program, and would be eligible for SFA funds for the last two years of her degree program. However, since Kitty never went to college before, she'll need to take an ability-to-benefit test if she wants to receive SFA funds.*

**Citations**

*Ability to Benefit:*
*Subpart J of Part 668*
*Home-schooled students:*
*HEA Sec. 484(d)(3),*
*34 CFR 668.32(e)(4)*

## Factors for Test Selection

*When selecting a test, the school should consider the following:*

- *Relevance of test to the educational program. Are the skills and abilities assessed important for the successful program of study?*
- *Level of difficulty of the test. Is the overall level of difficulty appropriate to the population of prospective students being assessed and to the coursework required in the program?*
- *Native language. If the student's program will be taught in a language other than English, the student should be permitted to take the test in the language of the program. (See "Special needs.")*
- *Tests for students with physical disabilities. Students with physical disabilities should receive appropriate assistance in test taking, in accordance with the guidelines developed by the American Educational Research Association, the American Psychological Association, and the National Council of Measurement in Education.*

## Test approval

*The Department evaluates the submitted tests according to guidelines published in regulation. To apply for approval, the test publisher must submit its test and documentation specified in the regulations. After reviewing the application, the Department will notify the test publisher of approval or disapproval. If a test is approved, the Department will then publish in the Federal Register the name of the test and the test publisher and the passing score required for students taking the test.*

*The Department will also review all state tests or assessments that are submitted for approval. If a state test meets the criteria for approval, both public and private schools in that state may use the test. At this time, no such tests have been approved.*

To be acceptable for SFA purposes, an approved test must be independently administered in accordance with the procedures specified by the test publisher—such as time limits for completion, rules on how often and within what time frame the test may be readministered, whether the test may be given verbally, and so forth. If a test comprises multiple parts, all relevant parts, as listed in the approval notice, must be administered in order for the test to be valid. The approval notice published by the Department will show either the approved score for each subpart or an approved composite score.

▼ *Testing non-native English speakers.* The General Provisions regulations specify when special tests can be used for students who are not native speakers of English. The recently-approved CELSA test can be used for students who are enrolled solely in an ESL program or for students who are enrolled in a program that is taught in English and that has an ESL component in which the student is also enrolled (see January 12, 2001 Federal Register for more on CELSA).

As an alternative, you may determine whether these students have the ability to benefit from your program by using the guidelines in the December 30, 1992 *Federal Register* and by using tests approved as of June 30, 1996.

▼ *Testing disabled students.* For students with disabilities, the Department adopted the use of the currently approved ability-to-benefit tests and passing scores (see the May 5, 1999 Federal Register), as long as those tests are given in a manner consistent with requirements of Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act. These requirements include giving the test in a manner that is accessible to disabled students and offering additional services such as a longer exam time for students with learning disabilities and Braille or large-print exams for visually impaired students. If your school can't give any of the approved ability-to-benefit tests in an accessible manner, it must use an alternate test as explained in the regulations (34 CFR 668.149).

▼ *Counting previous test results.* A student who has taken an approved, independently administered test within the last 12 months may submit the official test-score notification to demonstrate his or her ability to benefit. If you accept the results of a previously administered test, you must obtain documentation (usually through the previous school) that the test and its administration met federal requirements. If a student withdraws from school before receiving SFA funds and then re-enrolls more than 12 months after taking the test, she must be retested, unless she has subsequently obtained a high school diploma or equivalent.

If your school has properly determined that a student had the ability to benefit under the rules that were in effect before July 1, 1996, you don't have to redetermine the student's eligibility under the newer rules.

| Approved Ability to Benefit Tests | Publishers |
|---|---|
| American College Testing (ACT):<br>(English and Math)<br>*Passing Score:* English (14) and Math (15) | American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243 Contact: James Maxey, Telephone: (319) 337–1100, Fax: (319) 337–1790 |
| ASSET Program: Basic Skills Tests<br>(Reading, Writing, and Numerical)—Forms B2 and C2<br>*Passing Score:* Reading (34), Writing (34), and Numerical (33) | American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: John D. Roth, Telephone: (319) 337–1030, Fax: (319) 337–1790. |
| Career Programs Assessment (CPAT) Basic Skills Subtests (Language Usage, Reading and Numerical)—Forms A, B, and C<br>*Passing Score:* Language Usage (43), Reading (44), and Numerical (42) | American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: John D. Roth, Telephone: (319) 337–1030, Fax: (319) 337–1790 |
| Combined English Language Skills Assessment (CELSA): Forms 1 and 2.<br>*Passing Score:* CELSA Form 1 (90) and CELSA Form 2 (90) | Association of Classroom Teacher Testers (ACTT), 1187 Coast Village Road, PMB 378, Montecito, California 93108-2794, Contact: Pablo Buckelew, Telephone: (805) 569-0734, Fax: (805) 569-0004 |
| COMPASS Subtests: Prealgebra/Numerical Skills Placement, Reading Placement, and Writing Placement<br>*Passing Score:* Prealgebra/Numerical (21), Reading (60), and Writing (31) | American College Testing (ACT), Placement Assessment Programs, 2201 North Dodge Street, P.O. Box 168, Iowa City, Iowa 52243, Contact: John D. Roth, Telephone: (319) 337–1030, Fax: (319) 337–1790 |
| Computerized Placement Tests (CPTs)/Accuplacer (Reading Comprehension, Sentence Skills, and Arithmetic)<br>*Passing Score:* Reading Comprehension (52), Sentence Skills (60), and Arithmetic (36) | The College Board, 45 Columbus Avenue, New York, New York 10023–6992, Contact: Ms. Loretta M. Church, Telephone: (212) 713–8000, Fax: (212) 713–8063 |
| Descriptive Tests of Language Skills (DTLS) (Reading Comprehension, Sentence Structure and Conventions of Written English)—Forms M-K-3KDT and M-K-3LDT; and Descriptive Tests of Mathematical Skills (DTMS) (Arithmetic)—Forms M-K-3KDT and M-K-3LDT<br>*Passing Score:* Reading Comprehension (108), Sentence Structure (9), Conventions of Written English (309), and Arithmetic (506) | The College Board, 45 Columbus Avenue, New York, New York 10023–6992, Contact: Ms. Loretta M. Church, Telephone: (212) 713–8000, Fax: (212) 713–8063 |
| Test of Adult Basic Education (TABE): (Reading Total, Total Mathematics, Total Language)—Forms 5 and 6, Level A, Complete Battery and Survey Versions<br>*Passing Score:* Reading Total (768), Total Mathematics (783), Total Language (714) | CTB/McGraw-Hill, 20 Ryan Ranch Road, Monterey, California 93940–5703, Contact: Ms. Tina Gwaltney, Telephone: (831) 393–7749, Fax: (831) 393–7142 |
| TABE: (Reading, Total Mathematics, Language)—Forms 7 and 8, Level A, Complete Battery and Survey Versions<br>*Passing Score:* Reading (559), Total Mathematics (562), Language (545) | CTB/McGraw-Hill, 20 Ryan Ranch Road, Monterey, California 93940–5703, Contact: Ms. Tina Gwaltney, Telephone: (831) 393–7749, Fax: (831) 393–7142 |
| Wonderlic Basic Skills Test (WBST)—Verbal Forms VS–1 & VS–2, Quantitative Forms QS–1 & QS–2<br>*Passing Score:* Verbal (200) and Quantitative (210) | Wonderlic Personnel Test, Inc., 1509 N. Milwaukee Ave., Libertyville, IL 60048–1380, Contact: Mr. Victor S. Artese, Telephone: (800) 323–374, Fax: (847) 680–9492 |

## SATISFACTORY ACADEMIC PROGRESS

To be eligible for SFA aid, a student must make satisfactory academic progress. Your school must have a satisfactory academic progress policy, which must contain elements specified in the regulations. A school can use satisfactory progress standards set by a state, accrediting agency, or some other organization, as long as those standards meet the federal requirements. A school must monitor its SFA recipients to ensure that they are meeting the school's satisfactory progress standards.

A school's satisfactory progress policy for students receiving SFA funds must be at least as strict as the policy used for students who do not receive SFA funds. The policy must be applied consistently to all SFA recipients within identifiable categories of students (such as full-time or part-time, graduate, or undergraduate students).

Your school's satisfactory progress policy can include whatever standards it finds acceptable, as long as the policy meets the minimum statutory and regulatory requirements. A satisfactory progress policy must include both a qualitative measure (such as the use of cumulative grade point average) and a quantitative measure (such as a maximum time frame for completion) of the student's progress. The law and regulations specify minimum standards for these two measures. Your school may set stricter standards in its policy.

**Satisfactory Academic Progress Cites**
*HEA Sec. 484(c),*
*34 CFR 668.16(e)*
*34 CFR 668.32(f)*
*34 CFR 668.34*

**Example: no letter grade**
*Bennet College doesn't use a letter grading system and in fact doesn't assign any grades. Instead, students only receive credit for a course if they successfully complete the course. If a student doesn't successfully complete a course, it's not listed on the student's transcript and the student must retake the course if it's required for his or her degree. Bennet College considers a student to have the equivalent of a C average if he or she has successfully completed at least half of the courses he or she has attended.*

### *Qualitative standards*

The law specifies that by the end of the second academic year (measured as a period of time, not by the student's grade level), the student must, in general, have a C average or its equivalent, or have an academic standing consistent with the requirement for graduation from the program. If your school does not use letter grades, its satisfactory progress policy should define "equivalent of a C average."

If you determine that a student has maintained satisfactory progress standards even though his or her average falls below a C average, you must be able to document that the student's average is consistent with the academic standards required for graduation.

Rather than using a single fixed standard throughout the program, a school may use a graduated grade point requirement. For example, a school using a 4-point scale can require students to have a 2.0 average by graduation, but allow the student's average to be lower earlier in the student's academic career. If your school's policy permits progression toward the 2.0 graduation requirement, it may permit a lower standard at the end of the second academic year.

### *Quantitative standards*

To accurately measure a student's progress in a program, more than a qualitative standard is needed. A student who is maintaining a high GPA by withdrawing from every course he or she attempts after the first year would meet a qualitative standard, but wouldn't be progressing towards graduation. Therefore, the satisfactory progress policy must also include a quantitative measure to determine the number or percentage of courses, credit hours, or clock hours completed.

To quantify academic progress, your school must set a maximum time frame in which a student is expected to finish a program. For an undergraduate program, the maximum time frame cannot exceed 150% of the published length of the program measured in academic years, academic terms, credit hours attempted, or clock hours completed, as appropriate. For instance, if the published length of an academic program is 120 credit hours, the maximum time frame established by the school must not exceed 180 attempted credit hours (that is, 120 x 1.5). Your school decides which way of measuring the length is most appropriate.

To ensure that a student is making sufficient progress throughout the course of study, your academic progress policy must divide the maximum time frame into equal evaluation periods called increments. An increment can't be longer than half the program or one academic year, whichever is less. In other words, for a school's 700-clock-hour program, an increment must not exceed 350 clock hours. For a school's 2,000-clock-hour program, an increment must not exceed 900 clock hours if your school defines the academic year as 900 clock hours. Increments generally are expected to coincide with payment periods.

Your school's policy must also state the minimum amount or percentage of work a student must successfully complete by the end of each increment. This amount must be high enough to allow the student to complete the program within the maximum time frame.

You don't have to set a fixed number of hours or credits that must be completed in each increment. Instead, you can require the student to complete a certain percentage of the hours or credits he or she attempts. By setting a percentage rather than a fixed number of hours or credits, you can easily adjust for differences in enrollment status from student to student or from one year to the next.

Your academic progress policy may use a graduated completion percentage for each year of enrollment. For instance, you can let students complete a lower percentage in the first academic year but then gradually increase the required percentage to ensure that the student completes program requirements within the maximum time frame.

At some schools (mainly clock-hour schools), a student is given credit for every hour attended, so that the hours attempted equal the hours earned. In such cases, the quantitative standard must be based on calendar time (in weeks or months).

## Graduated Qualitative Standard Examples

*Guerrero University requires students to have a 2.0 GPA to graduate. A student who has completed 30 semester hours or less must have a 1.6 GPA, and a student who has completed 31 to 60 semester hours must have a 1.8 GPA. Students who have completed more than 60 semester hours must have a 2.0 GPA. In her first year at Guerrero University, Emma takes 28 semester hours, and her GPA is 1.9. Because her GPA is higher than 1.6, she meets Guerrero's satisfactory progress standards.*

*Owen is also attending Guerrero, and has been attending part-time. At the end of his second year at Guerrero, he's taken 24 semester hours, and his GPA is 1.7. Owen also meets Guerrero's satisfactory progress standards, because his GPA is higher than 1.6. Although Owen has less than a C average or equivalent at the end of his second academic year (Guerrero considers 2.0 to be the equivalent of a C average), he's still making satisfactory progress because he meets the standards required by Guerrero for graduation. However, if his GPA doesn't improve by the time he completes 30 semester hours, he'll no longer be making satisfactory progress.*

## Quantitative Standard Examples

*Students in Bennet College's bachelor's degree program are required to complete 120 credits. Bennet requires all students to enroll in 15 credits each semester. Most students complete the program in four years (eight semesters). Bennet sets a maximum time frame of six years (150% of the published length of four years), and uses a year as an increment. Bennet requires students to successfully complete at least 21 credits by the end of the first year, and an additional 21 credits for each increment after that.*

*Lydia enrolls for her first year at Bennet, and fails all her courses in the first semester. Even if she successfully completes all her courses in the second semester, she won't be making satisfactory progress at the end of the first increment, because she'll have completed only 15 credits. If she continues into the second year and successfully completes all but one of her courses (27 credits total), she'll meet the satisfactory progress standards by the end of the second increment (42 credits successfully completed).*

**First Year Progress**

| | |
|---|---|
| **Credits required** | **21** |
| **1st semester** | **0** |
| **+ 2nd semester** | **15** |
| **= completed credits** | **15hrs.** |

**Second Year Progress**

| | |
|---|---|
| **Credits required** | **42** |
| **previous completed credits** | **15** |
| **+ 2nd year credits** | **27** |
| **= completed credits** | **42hrs.** |

*Sarven Technical Institute has a 24 semester hour program that a full-time student can complete within one year. Because many students attend part-time, Sarven decides to use a maximum time frame based on the length of the program in semester hours attempted. Using the 150% maximum, Sarven's policy states that a student must complete the program by the time he or she has attempted 36 semester hours. Sarven uses increments of 12 semester hours. In order to successfully complete 24 semester hours within the maximum time frame, the student must successfully complete 8 semester hours by the end of each increment.*

*Allen enrolls in this program. He enrolls in one class at a time, and each class is worth four semester hours. After he has enrolled in three classes (12 semester hours), Sarven must check to see if he's successfully completed enough work in that increment to be making satisfactory progress. Allen completes the first and third course, but fails the second. Because he completed 8 semester hours (two courses) in this increment, he's making satisfactory progress.*

**First Increment Progress**

| | |
|---|---|
| **Credits required** | **8** |
| **1st class credits** | **4** |
| **+ 2nd class credits** | **0** |
| **+ 3rd class credits** | **4** |
| **= completed credits** | **8 hrs.** |

## Quantitative Standard Percentage Example

*A school that offers a 4-year program could allow students a maximum time frame of 6 years to complete the program. Edison College decides to allow students a maximum time frame of 5 years for its 4-year microbiology program. Edison uses the semester as the increment for measuring satisfactory progress. In order to allow students to complete the program within the maximum time frame, Edison requires students to complete 80% of the work attempted by the end of each increment (4+5=.8).*

*Two students, Andrew and Malia, are enrolled in this microbiology program. In the first year, both students enroll in 15 credits per semester. At the end of the first semester, Andrew has earned 12 credits and Malia has earned 15 credits. At the end of the second semester, Andrew has earned a total of 21 credits and Malia has earned a total of 30 credits.*

*To be making satisfactory progress, Andrew and Malia must have completed 80% of the credits attempted by the end of the increment. For the first semester, they must complete 12 credits (80% x 15 credit hours attempted = 12 credit hours). Because both students successfully completed at least 12 credit hours in their first semester, they both were making satisfactory progress.*

*By the end of the second semester, they must have completed 24 credits (80% x 30 credit hours attempted = 24 credit hours). Malia is still making satisfactory progress at the end of the second semester, but because he only completed 21 credits, Andrew is not making satisfactory progress.*

*In the second year, Malia again enrolls for 30 credits, but Andrew only enrolls for 15 credit hours for the year. Andrew successfully completes all these credit hours, so he has earned 36 credits of 45 attempted. Malia completes 51 credits by the end of the second year.*

*To be making satisfactory progress by the end of the second year, Andrew must have completed 36 credits (80% x 45 credit hours attempted = 36 credit hours). Therefore, he is once again making satisfactory progress at the end of the second year. After the end of the second year, Malia must have completed 48 credit hours (80% x 60 credit hours attempted = 48 credit hours). Malia was also making satisfactory progress at the end of the second year.*

### First Year Progress

**Credits required**

| | |
|---|---|
| **completion standard** | **80%** |
| **x credits** | **30** |
| **= completed credits** | **24hrs.** |

### Second Year Progress

**FT student**

| | |
|---|---|
| **previous attempted credits** | **30** |
| **+ 2nd year credits** | **30** |
| **x completion standard** | **80%** |
| **= completed credits** | **48hrs.** |

**HT student**

| | |
|---|---|
| **previous attempted credits** | **30** |
| **+ 2nd year credits** | **15** |
| **x completion standard** | **80%** |
| **= completed credits** | **36hrs.** |

### Calendar Time Quantitative Standard Example

*Lem Community College has a 900-clock-hour program that normally takes 8 months to complete. Lem allows a maximum time frame of 12 months to complete the program. Lem divides this time frame into increments of 4 months (which is half the published length of the program). In order to complete the entire program within 12 months, the student must complete 300 clock hours in each increment. Lem's satisfactory progress standards therefore require the student to attend 300 clock hours within the first 4 months (the first increment), 600 clock hours by the end of the second increment (after 8 months), and 900 hours by the end of the 12 month maximum time frame.*

### Example: mitigating circumstances

*Brust Conservatory has a policy to set aside the satisfactory progress standards under certain mitigating circumstances, including serious illness. Brust's policy specifies that if the student becomes seriously ill during a term, and the student can't attend classes for a month or more, then the courses for the term aren't taken into account when the school determines whether the student is making satisfactory progress. Brust requires the student to submit documentation from a doctor or other health care provider stating that the student's illness prevented him or her from attending school for at least a month.*

### Example: probationary period

*As part of its satisfactory progress policy, Lem Community College has a provision for academic probation. The first time a student fails to meet the satisfactory progress standards, he or she receives a notice from the school, and is put on academic probation for one term or payment period. The student can receive aid during this period, but isn't allowed to enroll more than half time. If the student doesn't meet the satisfactory progress standards at the end of the probationary term, he or she loses eligibility for any subsequent payments, until he or she meets the satisfactory progress standards again.*

## Other Elements

A school's satisfactory progress policy must explain how withdrawals, grades of "incomplete," courses that are repeated, transfer courses, and noncredit remedial coursework affect the academic progress determination. A school must also establish procedures that enable the student to appeal a determination that finds him or her not to be making satisfactory progress. For students ultimately judged not to be making satisfactory progress, the school must establish specific procedures that enable such students to once again meet satisfactory progress standards.

The quantitative and qualitative standards used to judge academic progress must be cumulative and must include **all** periods of the student's enrollment. Even periods in which the student did not receive SFA funds must be counted. Transfer credit hours must be counted as well, so that transfer students are not given more time than other students to complete the program. A school cannot set a maximum time frame based on hours attempted and then have a policy to routinely exclude certain hours attempted, such as hours taken during a summer session, from its determinations of satisfactory academic progress.

▼ *Mitigating circumstances.* Your school policy can set aside the satisfactory standards for individual students if it determines that an unusual situation affected the student's progress. The law gives some examples where allowances might be made for mitigating circumstances; for instance, if a student becomes very ill or is severely injured, or if a student's relative dies. If you want to make allowances for mitigating circumstances, your school's written policy must explain what those circumstances may be.

▼ *Conditional or probationary periods.* Your school policy can include a **limited** conditional or probationary period in its satisfactory progress policy. During such a probationary period, a student who didn't meet the satisfactory progress standards can still be treated as if he or she did meet the standards.

▼ *Completion of degree requirements.* Your school's satisfactory progress policy can state that a student who has completed all the coursework for his or her degree or certificate but hasn't yet received the degree or certificate can't receive further SFA aid for that program. This restriction can't simply be a limit on the number of hours completed (for instance, that the student isn't eligible once he or she has completed 120 semester hours for a program that requires 120 semester hours). The student must have actually completed the academic requirements for the degree or certificate he or she is pursuing. Of course, if the student enrolls in another program (seeking a different degree or certificate), this restriction would no longer apply, although the student would still have to meet other satisfactory progress standards.

## ENROLLMENT STATUS

A student must be enrolled at least half-time to receive assistance from the Stafford and PLUS loan programs. (See *Volume 8: Direct Loan and FFEL Programs.*) The Pell and Campus-based programs don't require half-time enrollment, but the student's enrollment status does affect the amount of Pell a student receives (see *Volume 3* for information on how enrollment status affects a student's Pell award).

To be enrolled half time, a student must be taking at least half of the course load of a full-time student. Your school defines a full-time workload, but it must meet the minimum standards in the SFA regulations. The definition of full time used for SFA purposes (below) can differ from the definition used for other purposes at your school, such as the definition used by the registrar's office.

Your definition of a full-time workload for a program must be used for all students enrolled in that program and must be the same definition for all SFA-related purposes, including loan deferments. You can't accommodate a student with a learning disability or other handicap by allowing the student a full-time enrollment status lower than the minimum standard.

▼ *Minimum standards for full-time enrollment.* You may include any combination of courses, work, research, or special studies in your school's definition of workload. The regulations specify a minimum standard for undergraduate students, but not for graduate students. For undergraduate students, the school full-time status must be at least:

- 12 semester hours or 12 quarter hours per academic term in an educational program using a semester, trimester, or quarter system;
- 24 semester hours or 36 quarter hours per academic year for an educational program using credit hours but not using a semester, trimester, or quarter system, or the prorated equivalent for a program of less than one academic year;
- 24 clock hours per week for an educational program using clock hours;
- for a student who is taking a combination of courses offered using different types of hours, prorated percentages of the minimums for credit- and clock-hour measurements equal to at least one;
- a series of courses or seminars equaling 12 semester or quarter hours over a maximum of 18 weeks; or
- the work portion of a cooperative education program in which the amount of work performed is equivalent to the academic workload of a full-time student.

**Full-time student definition**
*34 CFR 668.2*

**Half-time enrollment**
*Sec. 428(b)(1)(A),*
*34 CFR 668.32(a)(2)*

**Example: mixed credits enrollment**

*Stanislaw is enrolled in a program at Lem Community College. In the first term, Stanislaw is taking 6 semester hours and 3 quarter hours and is also taking 9 clock hours a week. To determine if Stanislaw is enrolled full-time, Lem divides the amount of each type of hour by the minimum requirement for full time, and then adds the fractions:*

$6/12 + 3/12 + 9/24 = .5 + .25 + .375 = 1.125$

*Because the result is greater than one, Stanislaw is enrolled full time.*

### Counting noncredit or reduced-credit remedial work

*A student can receive aid for a limited amount of remedial coursework that is included as part of a regular program. As long as the student qualifies for aid for remedial courses, you must include the remedial courses in the student's enrollment status.*

*Some schools give no credit or reduced credit for remedial classes. To determine enrollment status, credit hours for the remedial class should be the same as for the comparable full-credit class. If you're using credit hours, you can compare the number of classroom and homework hours of study that the remedial course requires with the hours required for similar courses offered for full credit. Clock-hour schools should use the number of classroom hours attended in the remedial program.*

*34 CFR 668.20*

### Eligibility for Incarcerated students (FSEOG, FWS; Pell only at nonstate, nonfederal penal institutions)

*A student is considered to be incarcerated if she is serving a criminal sentence in a federal, state, or local penitentiary, prison, jail, reformatory, work farm, or similar correctional institution. A student is not considered to be incarcerated if he is in a halfway house or home detention or is sentenced to serve only weekends.*

*Incarcerated students are eligible for FSEOGs and FWS, but are not eligible for any SFA loans. In addition, the student can't receive a Pell if he or she is incarcerated in any federal or state penal institution (see Volume 3: Pell Grants for more information).*

*The Department has added a post-screening match with the Social Security Administration (SSA) to determine if a student is incarcerated. You may accept the student's written self-certification that he or she is no longer incarcerated. See chapter 4 for more information.*

*HEA Sec. 401(b)(8),*
*HEA Sec. 484(b)(5),*
*34 CFR 668.32(c)(2)*

You must decide if the work portion of a co-op program is equivalent to a full-time academic workload; if it is equivalent, the co-op student is considered full-time, regardless of how many credits your school grants for the co-op work.

A student taking only correspondence courses is never considered to be enrolled more than half time.

If a student is enrolled in courses that do not count toward his degree, they cannot be used to determine enrollment status, unless they are noncredit or remedial courses as described in the sidebar.

## STUDENTS CONVICTED OF POSSESSION OR SALE OF DRUGS

A drug conviction can disqualify a student for SFA funds. The student self-certifies through the application process that he or she is eligible for aid; you're not required to verify this unless you have conflicting information.

A conviction that was reversed, set aside, or removed from the student's record does not count, nor does one received when the student was a juvenile, unless he or she was tried as an adult.

The period of ineligibility for SFA funds depends on whether the conviction was for sale or possession, and whether the student had previous offenses. (A conviction for sale of drugs includes convictions for conspiring to sell drugs.)

| | **Possession of illegal drugs** | **Sale of illegal drugs** |
|---|---|---|
| **1st offense** | 1 year from date of conviction | 2 years from date of conviction |
| **2nd offense** | 2 years from date of conviction | Indefinite period * |
| **3+ offenses** | Indefinite period * | |

If the student was convicted of both possessing and selling illegal drugs, and the periods of ineligibility are different, the student will be ineligible for the longer period.

Students denied eligibility for an ***indefinite time** can regain it only after completing a rehabilitation program as described or if a conviction is reversed, set aside or removed from the student's record so that less than two convictions for sale or three convictions for possession remain on the record. In such cases, the nature and dates of the remaining convictions will determine when the student regains eligibility. It is the student's responsibility to certify to you that he or she has completed the rehabilitation program; as with the conviction question on the FAFSA, you are not required to verify the reported information unless you have conflicting information.

**Drug conviction cite**
*HEA Section 484(r)*
*34 CFR 668.40*

A student who successfully completes a qualified drug rehabilitation program regains eligibility on the date of completion. Of course, further drug convictions will make the student ineligible again.

If a student regains eligibility during the award year, the change is treated as are other changes in eligibility (e.g. attaining permanent resident or citizen status during the award year): Pell and Campus-based aid may be awarded for the payment period, Direct Loans and FFEL loans may be awarded for the period of enrollment.

## Standards for a qualified drug rehabilitation program

A qualified drug rehabilitation program must include at least two unannounced drug tests and must satisfy at least one of the following requirements:

- Be qualified to receive funds directly or indirectly from a federal, state or local government program.

- Be qualified to receive payment directly or indirectly from a federally or state licensed insurance company.

- Be administered or recognized by a federal, state or local government agency or court.

- Be administered or recognized by a federally or state licensed hospital, health clinic or medical doctor.

If you are counseling a student who will need to enter such a program, be sure to advise the student of these requirements. If a student certifies that he or she has completed a drug rehabilitation program, but you have reason to believe that the program does not meet these requirements, you must treat this as conflicting information and resolve the conflict before paying the student any SFA funds.

## Eligibility Requirements for Specific Educational Programs

### *Correspondence Courses*

A correspondence course is one for which the school provides instructional materials and exams for students who don't physically attend classes at the school. If the course uses video cassettes or discs, it is a correspondence course unless it provides the same video instruction to students who physically attend the school that year. A telecommunications course is considered a correspondence course if the sum of the telecommunications and correspondence courses offered by the school is 50 percent or more than the total number of courses. Finally, if a course is part correspondence and part residential training, it is considered a correspondence course.

A student enrolled in a correspondence course can only receive SFA funds if the course is part of a program that leads to an associate's, bachelor's or graduate degree; if the program leads to a certificate, the student is not eligible for aid for that course. There are also restrictions regarding cost of attendance for correspondence courses; see Chapter 10 for more information.

*HEA Sec. 484(k), 34 CFR 600.2, 34 CFR 668.38*

### *Telecommunications Courses*

A telecommunications course is one offered principally through television or audio or computer transmission. This includes open broadcast, closed circuit, cable, microwave, satellite and audio or computer conferencing. It also includes courses delivered on video cassette or disc as long as the courses are also offered that year to students who physically attend the school. If a course does not qualify as a telecommunications course then it is considered a correspondence course.

A student can receive SFA funds for a telecommunications course if it is part of a program that leads to a certificate for a program of one year or longer, or to an associate's, bachelor's, or graduate degree. See *Volume 2: Institutional Eligibility and Participation* for more information on telecommunications courses.

*HEASec. 484(l), 34 CFR 600.2, 34 CFR 668.38*

### *Students studying abroad*

A student in a study-abroad program is eligible for aid if the program is approved for credit by an eligible school and the student is enrolled as a regular student at that eligible school. Although your school must accept the study-abroad coursework for credit, the coursework doesn't have to be required for the student's degree program. Your school must have a contractual agreement with the foreign school or a single written arrangement with a study-abroad organization to represent agreement between your school and one or more foreign schools. See *Volume 2: Institutional Eligibility and Participation.*

*HEA Sec. 484(o), 34 CFR 668.39*

## CONFLICTING INFORMATION

In addition to reviewing information provided by the Department's application system and NSLDS (as discussed in Chapters 2-6), your school must have internal systems to share information relevant to the student's eligibility, such as the student's academic standing. The SFA program regulations require a school to develop an adequate system to ensure the consistency of any information related to a student's application for federal student aid, regardless of the source of that information. Your school is responsible for reconciling all information that it receives, with one exception: If the student dies during the award year, the school isn't required to resolve conflicting information.

If your school has conflicting information for a student or you have any reason to believe his or her application information is incorrect, you must resolve such discrepancies before disbursing SFA funds. If you discover a discrepancy after disbursing SFA funds, you must reconcile the conflicting information and require the student to repay any aid for which he or she wasn't eligible, unless the student is no longer enrolled for the award year.

## CHANGE IN STATUS

In some cases, the student's eligibility status can change during the award year. These changes almost always affect whether the student can be paid. We'll discuss what happens when the student gains eligibility or loses eligibility, along with special rules for changes in satisfactory academic progress status.

### *Gaining Eligibility*

In general, if a change in the student's status causes the student to gain eligibility, the student may receive aid for the entire payment period (for Pell and Campus-based funds) or period of enrollment (for Stafford and PLUS loans) in which he or she became eligible. A period of enrollment is an academic unit, such as an academic term or a full academic year, but can't include periods that are part of a previous academic year. If a period of enrollment begins in one academic year and ends in the following academic year and the borrower regains eligibility during the second academic year, the school may award a loan only for that portion of the period of enrollment that's part of the second academic year.

For three of the requirements, citizenship, valid Social Security Number (SSN), and Selective Service registration, the student is eligible for Pell and Campus-based aid for the entire award year in which he or she became eligible, not just the payment period.

### *Losing Eligibility*

In general, a student who loses eligibility can't receive any disbursements after he or she lost eligibility. The one exception is if the student's citizenship status changes. You're only required to check a student's citizenship status once during the award year or period of enrollment, when you first disburse aid. If a student later loses

**Conflicting information cite**
*34 CFR 668.16(f)*

**Gaining eligibility examples**
*Allen enrolls in a one-year certificate program at Sarven Technical Institute. Sarven won't officially admit Allen before he provides an academic transcript from his previous school, but it admits him conditionally so he can start classes in the fall. Sarven receives Allen's transcript after he's attended for a month, and officially admits him. He's still in his first payment period when admitted, and so can receive Pell and campus-based funds for his entire enrollment. The school can also use the entire year for his period of enrollment for a loan, so that Allen can receive loan funds for his entire enrollment.*

*Chavo is finishing his senior year in high school. He decides to start classes in the winter at Sarven Technical Institute on January 11. His high school classes end on the following June 4. He starts his second payment period at Sarven on May 17. Chavo isn't eligible for aid when he first starts classes at Sarven. However, when Chavo becomes eligible, after June 4, Sarven can disburse funds to Chavo retroactively for the second payment period that started on May 17. It can't disburse Pell and campus-based funds for the payment period that started in January, because he didn't become eligible until after that payment period ended. Sarven can also give Chavo a Stafford for his entire enrollment, starting in January, because it's all part of the same academic year, and so can be one period of enrollment.*

eligibility due to a change in citizenship status during that award year or period of enrollment, you don't need to take any action to prevent the student from receiving subsequent disbursements. Of course, the student wouldn't be able to receive aid in the following award year or period of enrollment.

### Satisfactory academic progress

If a student loses SFA eligibility because he or she is not meeting your school's satisfactory progress standards, that student will regain eligibility when your school determines that he or she is again meeting its satisfactory progress standards. A student may be paid Pell and Campus-based funds for the payment period in which he or she regains satisfactory progress but cannot be paid for any payment period in which the standards were not met. (The school must document each case.)

For Stafford and PLUS loans, a student who regains eligibility during a payment period or period of enrollment is eligible for the entire period of enrollment (usually an academic year) in which he or she met the satisfactory academic progress standards—unless school policy provides for reinstatement of eligibility at a later point.

▼ *Appeals.* A student may also regain eligibility by successfully appealing a determination that he or she wasn't making satisfactory progress. The student is only eligible for the payment period or period of enrollment in which the student regains eligibility; eligibility is not retroactive to all earlier payment periods or periods of enrollments. Thus, if your school originally determined for the fall payment period that the student wasn't making satisfactory progress, the student can't receive payment for the fall payment period if your school approves his or her appeal after the fall payment period is over.

**Losing eligibility example**

*George is a student at Guerrero University. A Stafford Loan that he received at a prior school defaults during the fall semester. Guerrero gave George his second Direct Subsidized Loan disbursement at the beginning of the semester in September, but was going to disburse a Perkins Loan to him in October. Because George's loan went into default at the end of September, Guerrero can't disburse the Perkins Loan for that term. George doesn't have to pay back the first disbursement of his Direct Subsidized Loan, but can't receive any more disbursements for that loan.*

**Example: satisfactory academic progress appeal**

*Steven is attending Brust Conservatory, and at the end of his second year, Brust determines that he isn't making satisfactory progress. He files an appeal in the fall, after he realizes he won't receive aid for the fall term. Brust finally approves his appeal in January, after the fall term is over. Steven can't receive Pell or campus-based funds for the fall term, but can receive aid for the winter term. Steven can also receive a Direct Loan for the entire year, because the entire year is his period of enrollment.*

# Citizenship

## CHAPTER 2

*A student has to be a citizen or eligible noncitizen to receive SFA aid. In this chapter, we discuss how the student's FAFSA information is matched with citizenship records. We'll also describe immigration documents that you may have to collect to make sure that the student meets this requirement.*

### ELIGIBLE CATEGORIES

A student must be a citizen or eligible noncitizen to be eligible for aid from the SFA Programs. The general requirement for eligible noncitizens is that they be in the U.S. for other than a temporary purpose. The specific eligible statuses are:

- A U.S. citizen or national.
- A U.S. permanent resident.
- Citizens of the Freely Associated States: the Pacific islands of Palau, the Marshall Islands, and the Federated States of Micronesia.
- Other eligible noncitizens.

The Department performs matches through the application process to verify the student's status. In addition, there are procedures that you must follow to confirm a noncitizen's status through the Immigration and Naturalization Service if the CPS matches don't confirm that status.

Students who are eligible because they are citizens of certain Pacific Islands can only receive aid from some of the SFA programs (see "Citizens of the Freely Associated States"). Students in the other categories are eligible for any type of aid through the SFA Programs if they're attending an eligible school in the United States. If attending foreign schools that participate in the FFEL Program, these individuals may receive Stafford Loans.

If a parent wants to take out a Federal PLUS Loan for a dependent undergraduate student, both the parent and the student must be U.S. citizens or nationals, permanent residents, or eligible noncitizens. The CPS doesn't match the parent's citizenship status with Immigration records, so a parent who is a permanent resident or other eligible noncitizen should provide documentation of that status to you.

**Citizenship issues:**

**→ U.S. citizens matched with Social Security database**

**→ U.S. permanent residents matched agains Immigration and Naturalization Service records**

**→ school must conduct Secondary Confirmation and collect documentation if match fails**

**Citizenship cites**

*HEA Sec. 484(a)(5),*
*34 CFR 668.32(d),*
*34 CFR 668.33,*
*and Subpart I of Part 668.*

**Documenting Citizenship Cite**
*34 CFR 668.33(c)*

**Data doesn't Match Example**
*Allen put in an incorrect number for his SSN when he completed his FAFSA. The number he used isn't in the SSA database. Therefore, his application fails both the SSN match and the SSA citizenship match. Allen will need to fix the problem before he can receive aid. Because the SSN is incorrect, Sarum Technical Institute asks Allen to complete a new FAFSA instead of making a correction (see Chapter 4 for more on fixing SSN problems).*

## U.S. CITIZEN OR NATIONAL

The term "U.S. citizen" includes citizens of the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands. All U.S. citizens are considered to be U.S. nationals. However, not all nationals are U.S. citizens: Natives of American Samoa and Swain's Island are not U.S. citizens but are nationals and therefore may receive SFA funds.

### *Citizenship match with Social Security Administration (SSA)*

All applications are automatically matched with Social Security records to verify U.S. citizenship status, the Social Security Number, and possible date of death and prisoner status (see Chapter 4). The result of the Social Security citizenship match is reported as "SSA" (on the ISIR) or "SSA Citizenship Code" (on the SAR) in the FAA Information section of the output document.

If the student leaves the citizenship question on the FAFSA blank, the CPS will still attempt the citizenship match. If there was a complete match with the student's Social Security number, name, date of birth, and U.S. citizenship, the CPS will assume the student is a citizen. The CPS will reject the application (for insufficient information) if one of the items did not match, or if the Social Security match shows the student is not a citizen.

Note that U.S. citizens born abroad might fail the Social Security citizenship match unless they have updated their citizenship information with the Social Security Administration (see "Updating Status for Citizens Born Abroad").

▼ *Successful match.* The SAR and ISIR won't have a comment if the match is successful, but there a match flag will indicate that the student's status was confirmed. Once all four Social Security match elements (SSN, citizenship, name, date of birth) have been confirmed, the SSA Citizenship Flag will be carried forward to the next year's Renewal Application and the match will not need to be performed again in subsequent years (unless the student changes any of the match elements on a later application).

▼ *Data doesn't match.* If the student's SSN, name, or date of birth, doesn't match Social Security records, the citizenship status can't be confirmed. A comment to this effect will be printed on the output document. The student should make the necessary corrections to the SSN, name, or date of birth (see Chapter 4 for a discussion of SSN match problems). When the corrections are sent to the CPS, the CPS performs the match again, and you should check the new results to see if the match confirmed the student's citizenship status.

If you have resolved the SSN problems with the student, but still can't get the student's citizenship confirmed, the student can instead provide documentation of citizenship. See "Other Documentation" for a list of documentation that you may accept.

▼ *Citizenship not confirmed.* If the Social Security match didn't confirm that the student is a citizen, the SAR and ISIR will include a comment explaining that the student either needs to provide documents proving citizenship or make a correction to show that he or she is an eligible noncitizen.

If the student is a citizen, he or she must give you documentation of his or her citizenship status. If the student submits appropriate documents, you can disburse aid to the student. Unlike documentation for eligible noncitizens, you don't submit these documents to the Immigration and Naturalization Service, or any other agency, for verification. You do need to keep a copy of the documents in the student's file. The student might also want to contact the Social Security Administration to have it update its database, but doesn't have to do this to receive aid. See "Other Documentation" for a list of possible documentation.

If the student is an eligible noncitizen, he or she must submit a correction, which must include the A-Number. When the correction is sent in, the CPS will attempt a match with Immigration and Naturalization records to confirm the student's status (see "INS match," page 34).

### Other documentation

If a student must document his or her status as a citizen or national, you decide what documentation is acceptable. The Department doesn't specify the documentation that the student must provide, but the following are some examples of documents that you might choose to use:

- A copy of the student's birth certificate showing that she was born in the United States, which includes Puerto Rico (on or after Jan. 13, 1941), Guam, the U.S. Virgin Islands (on or after Jan. 17, 1917), American Samoa, Swain's Island, or the Northern Mariana Islands, unless the person was born to foreign diplomats residing in the U.S.

- A U.S. passport (current or expired), except limited passports, which are issued for periods of less than five years. In the case of nationals who are not citizens, the passport will be stamped "Noncitizen National."

- A copy of Form FS-240 (Consular Report of Birth Abroad), FS-545 (Certificate of birth issued by a foreign service post), or DS-1350 (Certification of Report of Birth). These are State Department documents.

- A Certificate of Citizenship (N-560 or N-561), issued by the Immigration and Naturalization Service to individuals who derive U.S. citizenship through a parent.

**Example: Citizenship not confirmed**

*Chavo is a U.S. citizen, but SSA doesn't confirm his citizenship status. Sarven Technical Institute asks him to submit documentation of his status. Chavo first submits a Social Security card, but Sarven explains that the card doesn't document his status because noncitizens can have Social Security cards. Chavo then brings in his U.S. passport. Sarven makes a copy of the passport for its files, and tells Chavo his citizenship has been documented. Sarven also advises Chavo to have the SSA correct its database, so that he won't have this problem again.*

**Social Security Card and Driver's License**

*A Social Security card or driver's license isn't acceptable for documenting citizenship or national status, since noncitizens and nonnationals can also have these forms of identification.*

- A Certificate of Naturalization (N-550 or N-570), issued by the Immigration and Naturalization Service through a federal or state court, or through administrative naturalization after December 1990 to those who are individually naturalized.

Older versions of the Certificate of Citizenship and of the Certificate of Naturalization advise the holder not to photocopy them. The Immigration and Naturalization Service has advised us that these documents may be photocopied if done for lawful purposes (such as documenting eligibility for SFA funds).

### *Updating status for citizens born abroad*

Even though students are considered U.S. citizens when born abroad to parents who are U.S. citizens, the Social Security database is not automatically updated to indicate the student's status even if the student's birth was registered. Therefore, such students (for example, those born on military bases abroad) will fail the Social Security citizenship match until the Social Security database is corrected. That is, the applications of U.S. citizens who were born abroad but who file as U.S. citizens are automatically flagged by the Social Security as ineligible foreign born, even if the applicant has an Social Security Number.

Such students can document citizenship by providing a "Consular Report of Birth Abroad" (Form FS-240) or a "Certification of Report of Birth" (Form DS-1350). If the birth of the student was registered (before he or she reached age 18) with the American consulate or embassy in a foreign country, the student can receive a copy of the certificate by contacting

Department of State
Passport Correspondence Branch
1111 19th Street, NW, Suite 510
Washington, DC 20524
202-955-0307

The student should provide her name given at birth; the date and location of birth; if possible, the parents' names and their dates and places of birth; and a daytime phone number and return address. The request must be signed, and for form FS-240, the student will also have to include the original form (to exchange it) or a signed affidavit that the original was destroyed or lost. The cost for the FS-240 is $40, while for the DS-1350 it's $20 plus $10 for each additional copy. This should be sent as a check or money order, not as cash. It will take four to eight weeks to receive the form.

If the student is over 18 and the birth wasn't registered, he or she can file a self-petition for a "Certificate of Citizenship" to any local U.S. INS office (Form N-600). Proof of the parents' U.S. citizenship at the time of the student's birth must be provided.

## Citizenship Match with Social Security Administration

| *Result* | *Match flag* | *"C" code or rejected application* | *Comment number and text* | *Action needed* |
|---|---|---|---|---|
| Match conducted. SSA confirmed citizenship status. | A or blank | | No comment | No resolution required. |
| Match conducted. SSA did not confirm U.S. citizenship status. | B, C, D, E, F, or * | C code | 146 The Social Security Administration did not confirm that you are a U.S. citizen. You need to provide your school with documentation of your citizenship status before you can receive federal student aid. | If the student is a U.S. citizen, he or she should provide documentation (see "Other Documentation," page 31). If the student is an eligible noncitizen, he or she should correct Item 13 and provide a valid A-Number. If the student is then successfully matched with INS as an eligible noncitizen, no further resolution is necessary. |
| Match conducted. SSA unable to verify citizenship because there was no match on SSN, name, or date of birth. | N | C code | 062 In addition, the Social Security Administration could not confirm your claim of citizenship because of questions about your social security number, name, or date of birth. | Make any necessary corrections to SSN, name, or date of birth so record can be sent back for matching. Review subsequent transactions for the updated match results. If the student believes the information originally reported is correct, he or she should contact SSA so that it may update its database. The school may pay the student if it receives documentation of the student's citizenship status (see "Other Documentation"). |

## U.S. PERMANENT RESIDENTS AND OTHER ELIGIBLE NONCITIZENS

A permanent resident is a noncitizen who is legally permitted to live and work in the United States permanently. Other eligible noncitizens include

- **Refugees.** This status is considered temporary, although refugees can apply for permanent residence;

- **Persons granted asylum.** Persons who have been granted asylum in the United States are given employment authorization for one year. At the end of that year, they are eligible to apply for permanent residence. Asylum status continues unless revoked by INS or until permanent residence status is granted;

- **Conditional entrants.** These individuals are refugees who entered the United States under the seventh preference category of P.L. 89-236 or whose status was adjusted to lawful permanent-resident alien under that category. Note that INS stopped using this category on March 31, 1980;

- **Persons paroled into the U.S. indefinitely for humanitarian reasons.** These individuals are allowed to enter the United States under emergency conditions or under the determination that their entry is in the public interest. This status is temporary;

- **Cuban-Haitian entrants.**

*Some noneligible statuses are:*

- **Family unity status.** Such individuals have been granted relief from deportation under the Family Unity Program. Previously they were eligible for SFA funds.

- **Temporary residents.** These individuals are allowed to live and work in the U.S. under the Legalization or Special Agricultural Worker program. Previously they were eligible for SFA funds.

- **Individuals with nonimmigrant visas.** This includes those with work visas, and students, visitors, and foreign government officials.

## MATCH WITH INS RECORDS

To verify the immigration status of U.S. permanent residents and other eligible noncitizens, the Department collects Alien Registration Numbers (A-Numbers) on the FAFSA. (The Immigration and Naturalization Service assigns A-Numbers to all legal immigrants.) If the applicant indicates on the FAFSA that he or she is an eligible noncitizen and provides an A-Number, identifying information from the FAFSA is automatically sent to the Immigration and Naturalization Service for "Primary Confirmation."

The results of the match are shown by a match flag in the FAA Information section of the output document, under the heading "INS" (on the ISIR) or "INS Match Flag" (on the SAR). There will also be a comment about the results on the output document.

Because all applications are matched with Social Security records, an application that is matched with Immigration records will also be matched with citizenship information from Social Security. Results from the INS match take precedence over any results from the Social Security citizenship match, so Social Security citizenship match flags wont' appear on the output document. You should follow the usual procedures for resolving any Immigration and Naturalization Service match discrepancies.

If a student leaves the citizenship question blank but provides an A-Number, the CPS will assume the applicant is an eligible noncitizen and will attempt to match the A-Number with Immigration and Naturalization records. If the student leaves both the citizenship question and A-Number blank, the CPS won't match with Immigration and Naturalization records. If the student isn't a citizen, the FAFSA will be rejected because the Social Security match will fail, and the student must submit a correction with the correct citizenship status and an A-Number if he or she is an eligible noncitizen.

▼ *Successful match.* If the match confirms the student's immigration status, then the student can receive aid. The SAR or ISIR with the successful match results is documentation of the student's eligible status. Of course, if you have other information about the student's status that seems to contradict the successful match result, you must resolve the conflicting information before paying the student (see "Conflicting Information" in the Introduction to this publication).

▼ *Not enough information.* If the student said he or she was an eligible noncitizen but didn't provide an A-Number, or the A-number was illegible or invalid, the match won't be attempted. Instead, the student will receive a comment explaining that there's a question about the A-Number, and directing the student to provide documentation of his or her eligibility to the school. The student will need to submit a correction with the correct A-Number, so that the match can be conducted. You can't use Secondary Confirmation to confirm the student's status.

Note that citizens of the Marshall Islands, the Federated States of Micronesia, and Palau will get the same comment because such students won't have A-Numbers to report. However, these students aren't required to provide proof of eligible noncitizen status (see "Citizens of the Freely Associated States").

▼ *Status not confirmed.* If the match was conducted, but didn't confirm the student's status, you must resolve the discrepancy before paying the student. Although the student isn't automatically ineligible for SFA funds, you'll need to take additional steps to document the student's eligibility. This subsequent process is called Secondary Confirmation.

The student will have a comment on the output document explaining that his or her status wasn't confirmed. The comment also tells the student to submit documentation to the school. You can use this documentation to perform Secondary Confirmation. However, if the student submitted incorrect information on the FAFSA, the student may instead make a correction so that the CPS can attempt the match again.

### The "A-number" on the FAFSA and the INS Verification Number

***When the CPS matches with Immigration and Naturalization records, a 15-digit INS Verification Number is assigned to the student and printed in the "FAA Information" section of the SAR and ISIR. This number is needed for secondary confirmation with the Immigration and Naturalization Service (see "Secondary Confirmation"). If the student did not provide an A-number on the FAFSA, the match can't be made and the student won't receive an INS Verification Number. The student's information should be resubmitted with the A-Number so that a computer match may be attempted, because the school won't be able to check the student's status through the secondary process unless it has an INS Verification Number.***

## INS Match

| *Result* | *Comment number and text* | *Action needed* |
|---|---|---|
| Match conducted. Applicant's non-citizen eligibility confirmed by INS.<br>**Match Flag: Y** | 143 Your citizenship status has been confirmed by the Immigration and Naturalization Service (INS), and you meet the citizenship requirements for federal student aid. | None |
| Match not conducted. Student didn't provide Alien Registration Number or provided invalid Alien Registration Number.<br>**Match Flag: blank**<br>**C Code** | 142 The Immigration and Naturalization Service (INS) could not confirm your statement that you are an eligible noncitizen because there is a question about your Alien Registration Number. You must submit proof of your noncitizen eligibility to your school. If you fail to submit proof within 30 days, or longer if your school allows, you may not be eligible for federal student aid. | The student should make corrections to provide the missing or incorrect information. When the corrections are submitted, the application will be matched with the database; the school should check the new output document for match results. This comment will also appear for certain non-citizens not required to have A-Numbers (see "Citizens of the Freely Associated States," page 49). |
| Match conducted. INS did not confirm applicant's non-citizen eligibility.<br>**Match Flag: N**<br>**C Code** | 144 The Immigration and Naturalization Service (INS) did not confirm your statement that you are an eligible noncitizen. You must submit proof of your noncitizen eligibility to your school. If you fail to submit proof within 30 days, or longer if your school allows, you may not be eligible for federal student aid. | Secondary Confirmation required (see "Using the G-845S for Secondary Confirmation," page 41). |
| Match not conducted. Applicant did not indicate citizenship status.<br>**Match Flag: blank**<br>**Reject 17** | 068 You did not indicate on your application that you are a U.S. citizen or an eligible noncitizen. To be eligible to receive federal student aid, a student must be–<br>(1) A U.S. citizen (or U.S. national), or<br>(2) An eligible noncitizen, such as a U.S. permanent resident or a resident of certain Pacific Islands, or<br>(3) An eligible noncitizen as determined by the Department of Education | If student failed to indicate citizenship, citizenship match with SSA was still conducted. If that match confirmed the student's citizenship, the application will not be rejected, and no resolution is required, although the student should make a correction to indicate he or she is a citizen or national.<br>If SSA did not confirm the student's citizenship, the student receives Reject 17 and resolution is required. The student should provide correct information on his or her citizenship status in item 14. The student should also provide an A-Number if he or she is an eligible noncitizen. The student's record can then be sent through the INS match; the school should review the INS match flags on the new output document. |
| Match not conducted. Applicant changed status from eligible noncitizen to citizen or changed confirmed A-Number.<br>**Match Flag: blank**<br>**C Code** | 141 You changed your response to citizenship or you changed the Alien Registration Number verified with INS. You must submit proof of your citizenship status to your FAA. | The school must determine why the student made the change and resolve any conflicting information. The student may need to submit proof of citizenship, depending on the reason for the change. |

## SECONDARY CONFIRMATION

If the match with immigration records doesn't confirm a student's claim to be an eligible noncitizen or you have conflicting information about a student's immigration status, you must use a secondary process to confirm the student's status. The student has to give you documentation showing that he or she is an eligible noncitizen. If you determine that this documentation doesn't provide reasonable evidence that the student is an eligible noncitizen, the student isn't eligible for SFA funds. However, if the student provides documentation that appears to demonstrate that he or she is an eligible noncitizen, submit the documentation to the Immigration and Naturalization Service to confirm that the documentation is valid.

### Automated Secondary Confirmation

*The Department and INS are implementing a process that will follow primary confirmation and obviate secondary confirmation for some applicants. Primary confirmation starts with a match against INS's database. If that fails, INS would check the student's files for possible documentation that would make the student eligible for aid; this has been called automated secondary confirmation. If the student is confirmed through this new process, the school can award aid without using regular secondary confirmation. Automated secondary confirmation will be initiated by the INS and will precede regular secondary confirmation for students who do not receive a positive response. Details are not final, including what it will be called when implemented.*

### *Acceptable documents*

The standard documentation for a permanent resident of the United States is the Permanent Resident Card (Form I-551, since 1997) or Resident Alien Card (Form I-551, before 1997). Both forms are referred to colloquially as "green cards," though they are not green. The INS is replacing cards issued before 1979 with these new, counterfeit-resistant cards. The deadline established for permanent residents to replace their old cards was March 20, 1996. However, the older Alien Registration Receipt Card (Form I-151) remains acceptable as evidence of permanent residence for the purpose of receiving SFA funds. Permanent residents may also present an Arrival/Departure Record (Form I-94) with one of the following endorsements:

- "Processed for I-551. Temporary Evidence of Lawful Admission for Permanent Residence. Valid until __________. Employment Authorized."

- "Temporary Form I-551. Admission for permanent residence at ______________[port] on ______________ [date] verified. ________________ [signature of issuing officer] ________ [title]." This I-94 will also contain the individual's photo and an INS seal over the photo and the stamp.

The I-94 will have an A-Number annotated on it and is an acceptable document as long as the expiration date has not passed. A non-citizen's passport may also contain one of the endorsements above and will also have an A-Number annotated on it.

For other classes of eligible noncitizens, the most commonly presented evidence of their status is on the I-94, which will contain one of the following:

- *Refugees.* A stamp reading either "Admitted as a Refugee Pursuant to Section 207 of the Act. If you depart the United States you will need prior permission to return. Employment Authorized," or "Status changed to refugee pursuant to Section 207 (c)(2) of the Immigration Nationality Act, on __________. Employment Authorized." Refugees may also have a Refugee

Travel Document (Form I-571), which can be used for documentation if it's unexpired.

- *Asylees.* A stamp reading "Asylum status granted pursuant to Section 208, INS. Valid to _______________. Employment Authorized."

- *Conditional entrants.* A stamp indicating that the student has been admitted to the United States as a conditional entrant. If the student has an I-94 with conditional-entrant status granted after March 31, 1980, you shouldn't disburse SFA funds because the Immigration and Naturalization Service stopped using this category after that date.

- *Parolees.* A stamp indicating that the student has been paroled into the United States for an indefinite period of time for humanitarian reasons. The word "indefinite" and/or "humanitarian" will be handwritten into the stamp.

- *Cuban-Haitian entrants.* A stamp across the face of the I-94 indicating that the student has been classified as a "Cuban-Haitian Entrant (Status Pending). Reviewable January 15, 1981. Employment authorized until January 15, 1981." Note that a document showing that the holder is a Cuban-Haitian entrant is valid even if the expiration date has passed.

Each of the documents described above will be stamped in a rust-colored ink. It will normally contain a validation indicating the office of issuance and a code that indicates what officer prepared the document. Examples of codes are "WAS-82" (Washington District Office, Officer Number 82) or "1/13/84 SPO.KD" (Spokane Office, officer's initials KD).

You must keep in the student's file a copy of the immigration documentation the student submits, along with the Secondary Confirmation results received from the INS. Documentation provided as proof of the student's immigration status (such as the I-551 and I-94) may legally be photocopied by the student, as long as the photocopies are made for this lawful purpose. The student must understand that he or she is permitted to photocopy an INS document only for lawful purposes such as applying for SFA funds. (Document photocopying is generally not permitted even for other purposes.)

You must always examine and copy original documents. Sometimes the endorsement (a stamp) does not photocopy well due to the ink color on the original document. In this case, you should hand copy the exact endorsement on the photocopy. Because the endorsement can be placed anywhere on the I-94, the endorsement may be difficult to locate. Note that although the endorsement may appear on the student's passport, the endorsement **must also** be on the I-94. INS offices don't have uniform procedures or stamps. You should contact the local Immigration and Naturalization office with questions regarding acceptable immigration documentation.

### Status not Confirmed Example

*On his original application, Hector reported that he was a citizen, and didn't report his A-Number. When SSA didn't confirm this, he told the FAA at Guerrero University that he was a permanent resident. Hector made a correction, but the INS didn't confirm his status as an eligible noncitizen. This time, he explained to the FAA that he had applied for permanent resident status, but didn't have documentation yet. The FAA told him that when he had documentation that his application was approved, he should bring it to Guerrero, so that it could be submitted to the INS for confirmation.*

### Conditions Requiring Secondary Confirmation Cite

*34 CFR 668.133(a)*

### Use of Copy of I-94

*Note that a refugee or an asylee may apply for permanent-resident status. During the period in which the application is being reviewed, the student may have a copy of the I-94 that includes the endorsement "209a (or 209b) pending. Employment Authorized." Students with this form of documentation are eligible for SFA funds.*

### Documentation for Cuban-Haitian Entrants

*The I-94 for some Cuban-Haitian entrants who are applying for permanent residence may be stamped "applicant for permanent residence." (Or the student may instead be given a separate document acknowledging the receipt of his or her application for permanent residence.) Because the application for permanent residence is not sufficient to make a student eligible for SFA funds, a student who is a Cuban-Haitian entrant must request documentation of that status from INS.*

### *Special circumstances*

If the student has an I-551 with a baby picture, he or she should update the I-551 with the Immigration and Naturalization Service. Permanent residents are expected to get a new picture and be fingerprinted at the age of 14. However, you can submit the documents to INS and ultimately pay a student who has an I-551 with a baby picture, as long as you can confirm that the I-551 belongs to the student. You can confirm this by comparing the I-551 to a current photo ID that has the student's name, date of birth, and signature. (The current photo ID must also be consistent with any identifying information that you keep in the student's file.)

A student who has an approved application for permanent residence on file with the Immigration and Naturalization Service and who is waiting for a Permanent Resident Card may not have proof of his or her permanent resident status. The student should contact his or her local INS office for the passport stamp or I-94 stamp described at the end of this chapter, as these are available to the student before the normal permanent resident documentation is issued. Note that an application for permanent resident status is not sufficient for determining eligibility for SFA funds.

The Marriage Fraud Amendments established a two-year conditional permanent resident status for certain alien spouses and their children. The alien spouse of a U.S. citizen or legal immigrant is given conditional permanent resident status if the marriage took place less than two years before the spouse applied for permanent resident status or citizenship. This status may also apply to any of the spouse's children who are aliens.

An alien who is granted conditional permanent resident status will be given a Form I-551. This form is the same I-551 that is issued to regular permanent residents, except that the card for a conditional permanent resident expires in two years, as opposed to ten years for the regular card. Once the two-year period expires, a conditional permanent resident must file a petition for removal of this restriction within 90 days after the end of that period. The alien's petition will then be reviewed. If the results of the review are satisfactory, the restriction will be dropped, and new documents will be issued. Conditional permanent residents holding an I-551 with a valid expiration date are eligible to receive aid under the SFA Programs.

If a person is applying to suspend deportation, he or she must request a hearing before an Immigration Law judge who will render an oral or written decision. If the decision is favorable, the INS will give the applicant a Form I-551, which will certify his or her lawful permanent resident status. Therefore, there is no special category for persons who have been granted suspensions of deportation.

### Jay Treaty

*There is one unusual circumstance where you will need to collect documentation from the student without requiring Secondary Confirmation. The Jay Treaty of 1794 (as well as subsequent treaties and U.S. immigration law) gives Canadian-born Native Americans with "50% Indian blood" the legal right to live and work in the United States. Such individuals are not subject to the legal restrictions typically imposed on aliens by the INS, are not required to obtain documentation from the INS, and are considered "lawfully admitted for permanent residence."*

*Because few SFA applicants are eligible under the Jay Treaty, the FAFSA does not include a separate response for such students. Therefore, any student eligible for SFA funds through the Jay Treaty should report that he or she is an "eligible noncitizen" and fill in "A999999999" for the A-Number. The application will not be matched with INS, and a comment (comment 142) will be printed on the output document. The school must obtain proof that the student has 50% Native American blood and was born in Canada. To do so, the student should provide one or more of the following documents:*

- *A "band card" issued by the Band Council of a Canadian Reserve, or by the Department of Indian Affairs in Ottawa.*
- *Birth or baptism records.*
- *An affidavit from a tribal official or other person knowledgeable about the applicant's or recipient's family history.*
- *Identification from a recognized Native American provincial or territorial organization.*

*If the student can provide one of the above forms of documentation, and is otherwise eligible, the school must document the file and can award SFA funds.*

### *Documents showing noneligible statuses*

If the document a student submits is for a noneligible status, you shouldn't submit the documentation for Secondary Confirmation. The INS can only confirm whether or not the documentation is genuine; it doesn't determine whether the student is eligible for SFA aid. Unless the student can submit documentation for an eligible status, as described above, the student can't receive aid.

An approved Form I-797, "Application for Voluntary Departure Under the Family Unity Program," indicates that the student has been granted relief from deportation under the Family Unity Program. Students with this status are no longer eligible for SFA aid.

The Immigration Reform and Control Act of 1986 (IRCA) established a legalization program (also called the amnesty program) for certain illegal aliens. The alien might eventually be granted permanent resident status. Although these individuals were given documentation that allowed them to work while their application was being processed, they aren't eligible for SFA aid until their application for permanent resident status is approved. Documents such an individual might have in the interim are the Employment Authorization Card (Form I-688A), Employment Authorization Documents (Form I-688B or the I-766), or the Temporary Resident Card (Form I-688). None of these documents qualifies the student for SFA eligibility.

A student with a nonimmigrant visa isn't eligible for SFA funds unless he or she has a Form I-94 with one of the endorsements listed earlier. Nonimmigrant visas include the F-1, F-2 or M-1 Student Visa, B-1 or B-2 Visitor Visa, J-1 or J-2 Exchange Visitors Visa, H series or L series Visa (which allow temporary employment in the U.S.), or a G series Visa (pertaining to international organizations). Also, someone who has only a "Notice of Approval to Apply for Permanent Residence (I-171 or I-464)" cannot receive SFA funds.

Some students may present Forms I-94 stamped "Temporary Protected Status." This status is used for persons who are from countries that are in upheaval, but the status differs significantly from "Refugee" or "Asylee" because it provides no conversion to permanent resident status. A student with this status is not eligible for SFA funds.

### *Using the G-845S for Secondary Confirmation*

To initiate Secondary Confirmation, you must complete a Form G-845S. The G-845S ("Document Verification Request") is a standard form that is used to ask the File Control Office at the Immigration and Naturalization Service to confirm the noncitizen's immigration status.

To complete the G-845S, fill in each item on the top half of the form. The A-Number is provided in the first item; "Education Grant/ Loans/Work Study" must be marked in Box 8, "Benefits." You must state your name as the submitting official and your school's name as the submitting agency. Under Item 6, "Verification Number," you

**must provide the 15-digit number that is printed in the "FAA Information" section with the match flags in Part 1 of the SAR. Secondary Confirmation requests without Verification Numbers will be returned unprocessed.**

Photocopies of the front and back sides of the student's immigration document must be attached to the Form G-845S. Be sure to submit each pertinent visa and immigration document along with the G-845S; the G-845S can't be submitted by itself when determining SFA eligibility. A student who has lost documents or surrendered these documents when entering prison is responsible for obtaining copies of these documents before the G-845S is submitted. (See "Replacing Lost INS Documents.") You can request copies of immigration documents directly from penal institutions at the request of the student. You must send the completed G-845S and attachments to the File Control Office serving its locale no more than 10 business days after receiving the documentation from the student.

Noncitizens may also present other pertinent documents, such as marriage records or court orders, that indicate the identity or United States residency of the holder. Although these documents may not serve as adequate proof of immigration status, copies of these documents should also be submitted along with Form G-845S, as they may prove useful to the INS status verifier in the secondary confirmation process.

A status-verifier at the District INS Office will search the student's record to confirm his or her immigration status. The status-verifier at the Immigration and Naturalization office completes the "INS Response" section of the G-845S and sends it back to your office, generally within 10 working days of receipt. We recommend that you document any mailings to the Immigration and Naturalization Service and call that office, if you haven't heard back, to make sure that the G-845S was received. If you don't receive a response from the Immigration and Naturalization Service within 15 working days (10 working days plus 5 days mail time) of the date you sent the G-845S, you should review the file and use your best judgment to determine whether the student meets the eligible noncitizen requirements based on the documentation the student provided and the information in this chapter. If you believe that the student meets the requirements, you can make any disbursement for which the student is otherwise eligible; however, you must note in the student's file that INS exceeded the time allotment and, thus, noncitizen eligibility was determined without the benefit of INS verification.

When Secondary Confirmation results in an eligible status, you must keep the G-845S. If the confirmation process indicates a discrepancy, you must ask the student to correct the discrepancy with the Immigration and Naturalization Service. No certification of loans or further disbursement of funds can be made until the discrepancy is corrected. If the discrepancy isn't reconciled, the student must repay all aid except wages earned under FWS. Whenever

**Procedure Requirements Cite**
*34 CFR 668.135*

**Determining Eligibility If INS Response Is Late Cite**
*34 CFR 668.136(b)*

the student is able to provide new information, it must be submitted to the Immigration and Naturalization Service on a new G-845S.

As long as the you have followed the procedures outlined here, including notifying the student of the discrepancy and withholding further payments and loan certifications as soon as a discrepancy is found, your school isn't liable for aid disbursed prior to Secondary Confirmation. (This, of course, assumes that you had no other conflicting information prior to making the disbursement and had reviewed the available documentation and concluded that the student was eligible.)

### *Interpreting the INS response*

The status verifier will mark one or more of the checkboxes on the G-845S. The following list explains for each checkbox whether checking the box means the student is eligible. In reviewing the completed G-845S, bear in mind that the it reflects the student's most recent status with the Immigration and Naturalization Service and may show a different status than the documentation presented by the student. In this case, you should verify that both documents identify the same person. If so, the status on the G-845S should be used since that status is the most current.

1. **This document appears valid and relates to a Lawful Permanent Resident alien of the United States.** Block #1 is checked when the documentation submitted is determined to be a valid I-551, I-151, or I-94 or a passport stamped with the notation "Processed for I-551, Temporary Evidence of Lawful Admission for Permanent Residence."[3] A student with this status is eligible for SFA aid.

2. **This document appears valid and relates to a Conditional Resident alien of the United States.** This is checked when the documentation submitted is determined to be a valid I-551, or I-94 or a passport stamped with the notation "Processed for I-551, Temporary Evidence of Lawful Admission for Permanent Residence." A student with this status is eligible for SFA aid.

3. **This document appears valid and relates to an alien authorized employment as indicated below.** This is checked to indicate whether the authorization covers full-time or part-time employment and when, if applicable, the period of employment will expire. "Indefinite" will be indicated if there is no specific expiration date for employment eligibility. Employment authorization by itself doesn't mean that the student is eligible for SFA funds. Unless some other eligible status is also checked, or the student can provide other documentation that can be confirmed by the Immigration and Naturalization Service, the student isn't eligible for SFA aid.

U.S. Department of Justice
Immigration and Naturalization Service

# SAVE

OMB #1115-0122
**Document Verification Request**

To: Immigration and Naturalization Service

From: Typed or Stamped Name and Address of Submitting Agency

Attn: **Status Verifier**

1. Alien Registration or I-94 Number

2. Applicant's Name *(Last, First, Middle)*

3. Nationality

4. Date of Birth *(Month/Day/Year)*

5. Social Security Number

6. Verification Number

7. ☐ Photocopy of Document Attached.
*(If printed on both sides, attach a copy of the front and of the back.)*
☐ Other Information Attached *(Specify documents).*

| 8. *(Benefit)* | *(Your Case Number)* |
|---|---|
| ☐ AFDC | |
| ☐ Education Grant/Loans/Workstudy | |
| ☐ Food Stamp | |
| ☐ Housing Assistance | |
| ☐ Medicaid/Medical Assistance | |
| ☐ Unemployment Insurance | |
| ☐ Employment Authorization | |
| ☐ Other *(specify)* | |

9. Name of Submitting Official

10. Title of Submitting Official

11. Date

12. Telephone Number

**INS RESPONSE: From the documents or information submitted and/or a review of our records we find that:**

1. ☐ This document appears valid and relates to a Lawful Permanent Resident alien of the United States.
2. ☐ This document appears valid and relates to a Conditional Resident alien of the United States.
3. ☐ This document appears valid and relates to an alien authorized employment as indicated below:
   a. ☐ Full-Time
   b. ☐ Part-Time
   c. ☐ No Expiration (Indefinite)
   d. ☐ Expires on *(specify Month/Day/Year, below)*
4. ☐ This document appears valid and relates to an alien who has an application pending for *(specify INS benefit below)*
5. ☐ This document relates to an alien having been granted asylum/refugee status in the United States.
6. ☐ This document appears valid and relates to an alien paroled into the United States pursuant to Section 212 of the I&N Act.
7. ☐ This document appears valid and relates to an alien who is a Cuban/Haitian entrant.
8. ☐ This document appears valid and relates to an alien who is a conditional entrant.
9. ☐ This document appears valid and relates to an alien who is a nonimmigrant *(specify type or class below)*
10. ☐ This document appears valid and relates to an alien not authorized employment in the United States.
11. ☐ Continue to process as legal alien. INS is searching indices for further information.
12. ☐ This document is not valid because it appears to be *(check all that apply)*
    a. ☐ Expired
    b. ☐ Altered
    c. ☐ Counterfeit

INS Stamp

☐ Please see reverse for additional comments.

Form G-845S (Rev. 06/06/89) Y

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## Comments

13. ☐ No determination can be made from the information submitted. Please obtain a copy of the original alien registration documentation and resubmit.

14. ☐ No determination can be made without seeing both sides of the document submitted *(please resubmit request).*

15. ☐ Copy of document is not readable *(please resubmit request).*

## "PRUCOL"

For Purposes Of Determining If Alien Is Permanently Residing Under Color Of Law Only!

16. ☐ INS actively pursues the expulsion of an alien in this class/category.

17. ☐ INS is not actively pursuing the expulsion of an alien in this class/category, at this time.

18. ☐ Other

## Instructions

- **Submit copies of both *front and back* of alien's original documentation.**
- **Make certain a *complete return address* has been entered in the "From" portion of the form.**
- The Alien Registration Number ("A" Number) is the letter "A" followed by a series of (7) or (8) digits. Also in this block may be recorded the number found on Form I-94. (Check the front and back of the I-94 document and if the "A" Number appears, record that number when requesting information instead of the longer admission number as the "A" Number refers to the most integral record available.)
- If Form G-845 is submitted without copies of applicant's original documentation, it will be returned to the submitting agency without any action taken.
- Address this verification request to the local office of the Immigration and Naturalization Service.

4. **This document appears valid and relates to an alien who has an application pending for...:** This is checked when an alien is waiting for a new immigration status or a change of immigration status. If a change of status is pending, the appropriate block indicating the current status will also be checked elsewhere on the G-845S. A pending application for an immigration status doesn't (by itself) make the student eligible for SFA funds. To be eligible, the student must have an eligible status checked on the form, or provide other documentation of an eligible status.

5. **This document relates to an alien having been granted asylum/refugee status in the United States:** This is checked when an alien has been granted asylum or refugee status in the United States. Documentation presented may include either Form I-94 stamped with "Section 207-Refugee" or "Section 208-Asylee" or a Refugee Travel Document (Form I-571). A student with this status is eligible for SFA aid.

6. **This document appears valid and relates to an alien paroled into the United States pursuant to Section 212 of the I&N Act:** This is checked for an alien who has been allowed to enter the United States under emergency conditions or under the determination that his or her entry is in the public interest. This status is temporary. Documentation presented may include Form I-94 stamped with "Section 212(d)(5) - Parolee." A student with this status is eligible for SFA aid.

7. **This document appears valid and relates to an alien who is a Cuban-Haitian entrant:** This is checked for Cubans who entered the United States illegally between April 15, 1980 and October 10, 1980 and Haitians who entered the country illegally before January 1, 1981. A student with this status is eligible for SFA aid.

8. **This document appears valid and relates to an alien who is a conditional entrant:** This is checked for conditional entrants under the old provisions of P.L. 89-236. Documentation presented may include Form I-94 stamped with "Section 203(a)(7)." Noncitizens who fall into this category had to have entered the United States prior to the enactment of the Refugee Act of 1980. A student with this status is eligible for SFA aid.

9. **This document appears valid and relates to an alien who is a nonimmigrant.** This is checked to indicate an alien who is temporarily in the United States for a specific purpose. This category includes students, visitors, and foreign government officials. Documentation presented may include the Form I-94. Students with this status aren't eligible for SFA aid.

10. **This document appears valid and relates to an alien not authorized employment in the United States:** This block is checked when an alien's status prohibits employment in the United States. Students with this status aren't eligible for SFA aid.

11. **Continue to process as legal alien. INS is searching indices for further information.** This block is checked if the Immigration and Naturalization Service is withholding judgment, pending further investigation on the status or validity of documentation. This statement doesn't imply that the applicant is an illegal alien or the holder of fraudulent documentation. Benefits shouldn't be denied on the basis of this statement.

    The student's documentation should be accepted at face value until the Immigration and Naturalization Service sends final notification regarding immigration status. If the student appears to be an eligible noncitizen based upon your review of the documents, you may pay the student any SFA funds for which he or she is eligible. If INS later notifies you that the student's documentation isn't valid, you must cancel further disbursements but your school isn't liable for the payments already made.

12. **This document is not valid because it appears to be...:** This is checked when the documentation presented has expired or when it appears to be counterfeit or altered (there are checkboxes used to indicate which of these apply). Notify the student that unless corrective action is taken with the Immigration and Naturalization Service, the case will be submitted to the Office of Inspector General (OIG). Until this discrepancy is resolved, no further aid may be disbursed, awarded, or certified. If the student does not take corrective action in a timely manner, you must report the case to the OIG.

The Immigration and Naturalization Service will initial and stamp the front of the G-845S in the signature block.

The comments block on the back of the G-845S provides further instructions. The intended meaning of each of the following blocks that may be checked follows:

13. **No determination can be made from the information submitted.** Please obtain a copy of the original alien registration documentation and resubmit. This is normally checked when you haven't provided copies of any of the Immigration and Naturalization documents. You should resubmit the G-845S with copies of the original alien documentation.

14. **No determination can be made without seeing both sides of the document submitted.** Resubmit the G-845S with copies of both sides of each document.

15. **Copy of document is not readable.** Resubmit the G-845S with higher quality copies of the original alien documentation.

The comments listed under "Permanently Residing Under Color of Law" (PRUCOL) reflect information about aliens who have applied for special treatment (for example, by virtue of having life-threatening medical situations) that may cause the Immigration and Naturalization Service to refrain from seeking their expulsion. These blocks will be checked only if a request for evaluation for PRUCOL is made in Block 8 on the first page of the G-845S. Comments will rarely be made in this section because you wouldn't have asked for a PRUCOL evaluation when submitting the G-845S. However, in all cases, the Immigration and Naturalization Service should check other responses on the form as well, and these other responses should be used to determine the student's status.

### *Student rights*

You must allow the student at least 30 days—from the time you receive the output document—to provide documentation of his or her immigration status. During this period and until the results of the Secondary Confirmation are received, you can't deny, reduce, or terminate aid to a student. Disbursements can be made to an otherwise eligible student pending the Immigration and Naturalization Service response if at least 15 business days have passed since the date on which the documentation was submitted to the INS. (Of course, the general exclusions for inconsistent data being on file are applicable here.)

Your school isn't liable if you erroneously conclude that a student is an eligible noncitizen, provided that you had no conflicting data on file and you relied on:

- an output document indicating that the student meets the requirements for federal student aid,
- an INS determination of an eligible immigration status in response to a request for Secondary Confirmation, or
- immigration status documents submitted by the student, if the INS did not respond in a timely fashion.

The student (or parent for PLUS borrowers) is liable for any SFA funds received if he or she is ineligible. If you made your decision without having one of these types of documents, your school is held responsible for repaying SFA funds to the Department.

**Requirement for Procedures If Ineligibility Determined After Disbursement Cite**
*34 CFR 668.136(c)*

Your school should establish procedures to ensure due process for the student if SFA funds are disbursed but the aid office later determines (using Secondary Confirmation) that the student isn't an eligible noncitizen. The student must be notified of his or her ineligibility and given an opportunity to contest the decision by submitting to your school any additional documents that support his or her claim to be an eligible noncitizen. If the documents appear to support the student's claim, you should submit them to INS using Secondary Confirmation. You must notify the student of your office's final decision, based on the Secondary Confirmation results.

For every student required to undergo Secondary Confirmation, you must furnish written instructions providing

- an explanation of the documentation the student must submit as evidence of eligible noncitizen status. (The "Summary Chart of Acceptable Documentation" is acceptable),
- your school's deadline for submitting documentation (which must be at least 30 days from the date your office receives the results of the Primary Confirmation),
- notification that if the student misses the deadline, he or she may not receive SFA funds for the award period or period of enrollment, and
- an acknowledgment that you won't make a decision as to the student's eligibility until he or she has a chance to submit immigration status documents.

## CITIZENS OF THE FREELY ASSOCIATED STATES

Students who are citizens of the Freely Associated States (the Marshall Islands, the Federated States of Micronesia, and Palau)are eligible for Pell Grants, Federal Work-Study, and FSEOG, but are not eligible for SFA loans. Citizens of the Freely Associated States should answer indicate on the FAFSA that they are eligible noncitizens and leave the item about the A-Number blank. (If the student doesn't have an SSN, he or she can leave that item blank as well.) Because the student isn't providing the A-Number, his or her application won't go through the INS match. As long as the student's file contains consistent information on his or her citizenship, you aren't required to collect documentation.

Citizens of the Freely Associated States who file through EDExpress may indicate that they are eligible noncitizens, after which their state of legal residence will be confirmed. If they are determined to be residents of the Freely Associated States, they won't be required to provide an A-Number, and EDExpress won't reject their applications.

## DOCUMENTING IMMIGRATION STATUS IN LATER AWARD YEARS

There are several cases in which you must document a student's immigration status in a subsequent award year if that student again does not receive Primary Confirmation through the application process.

For example, a student who presented a Temporary Form I-551 in a prior award year should have received a permanent I-551 by the next year and shouldn't still have a temporary card. You should refer the student to INS to obtain a permanent I-551 or an updated endorsement on the previous card. The documents should also be submitted to INS on a G-845S.

You must also document the eligible noncitizen status each award year for a conditional permanent resident, a refugee, a Cuban-Haitian entrant, or a person granted asylum. Students in any of these categories may have been adjusted to permanent-resident status or may have had their statuses revoked. You will have to send the documents for Secondary Confirmation if the student's status isn't confirmed through the INS match.

You don't have to document a student's eligible noncitizen status in subsequent award years if you've documented that the student is a U.S. citizen or national, is a citizen of the Freely Associated States, or has a Form I-551 or I-151.

In addition, you aren't required to perform Secondary Confirmation if Secondary Confirmation for a previous award year showed that the student was an eligible noncitizen and the documents used for that Secondary Confirmation haven't expired. You must also have no conflicting information or reason to doubt the student's claim of having eligible noncitizen status. Also note that you must have confirmed the status in a previous award year. (Although you can disburse aid without the INS response if the INS doesn't respond in time, you can't count that lack of response as confirmation for the following year.)

**School Secondary Confirmation Policies Requirements Cite**
*34 CFR 668.134*

**Citizens of the Freely Associated States**
*The Compact of Free Association (P.L. 99-239) created three political entities from the former Trust Territory of the Pacific Islands. Two of these entities, the Marshall Islands and the Federated States of Micronesia, voted in 1986 to end political ties with the United States. The third entity, Palau, voted to ratify the compact in 1994; its independence was effective October 1, 1994. These three entities are the Freely Associated States.*
*34 CFR 600.2*

**Exclusion from Subsequent Secondary Confirmation Cite**
*34 CFR 668.133(b)*

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**Lack of Response Example**
*Mikko is a refugee, and received aid from Guerrero University for the 2000-2001 school year. His status wasn't confirmed through the INS match, so Guerrero had to perform Secondary Confirmation. The INS didn't respond in time, so Guerrero paid Mikko without any INS response. When Mikko applies for 2001-2002, the CPS still doesn't confirm his status. Because Guerrero didn't have an INS response for the previous year, it must perform Secondary Confirmation again, even though it went through the Secondary Confirmation process for Mikko last year and his documents haven't expired.*

## REPLACING LOST INS DOCUMENTS

If a student can't locate his or her official INS documentation, the student must request that the documents be replaced because noncitizens who are 18 years and older must have immigration documentation in their possession at all times while in the United States. Requests for replacement documents should be made to the INS District Office that issued the original documents.

The student will be asked to complete a Form I-90, "Application to Replace Alien Registration Card" or a Form I-102, "Application for Replacement/Initial Nonimmigrant Arrival-Departure Document." PDF versions of these forms can be downloaded from the INS web site at < http://www.ins.usdoj.gov/forms/>. A temporary I-94 may be issued while the replacement documents are pending.

In cases of undue hardship, where the student urgently needs documentation of his or her status, the Freedom of Information (FOI) Act allows the student to obtain photocopies of the documents from the INS District Office that issued the original documents. The student can submit an INS Form G-639 to make this request or can simply send a letter to the district office. If the student is not sure which district office issued the original documents, he or she can submit the request to the FOI office in Washington, DC at

Immigration and Naturalization Service
Freedom of Information Act Office
ULLICO Bldg. 2nd Floor
425 I Street, N.W.
Washington, D.C. 20536

## Summary Chart of Acceptable Documentation

*As an alternative for a student who is having trouble obtaining replacement INS documents, the student may use a G-639 to request photocopies of the original documentation.*

### *Citizen Not Born in United States*

| | |
|---|---|
| Certificate of Citizenship | Must have student's name, certificate number, and the date the certificate was issued. |
| Certificate of Naturalization | Must have student's name, certificate number, Alien Registration Number, name of the court (and date) where naturalization occurred. |
| "Certification of Birth Abroad" Form FS-545, DS-1350, or FS-240, "Report of Birth Abroad" | Must have embossed seal "United States of America" and "State Department." |
| U.S. Passport | |

### *Noncitizen National*

| | |
|---|---|
| U.S. Passport | Must be stamped "Noncitizen National." |

### *Permanent Resident*

| | |
|---|---|
| "Permanent Resident Card" Form I-551, or the "Alien Registration Receipt Card" Form I-151 | |
| Foreign passport | Must be stamped "Processed for I-551" with expiration date. |
| I-94 | Must be stamped "Processed for I-551" with expiration date, or "Temporary Form I-551," with appropriate information filled in. |

### *Other Eligible Citizen*

| | |
|---|---|
| "Arrival-Departure Record" Form I-94 | Must be stamped as a Refugee, Asylum Status, Conditional Entrant (before April 1, 1980), Parolee, Cuban-Haitian Entrant. |

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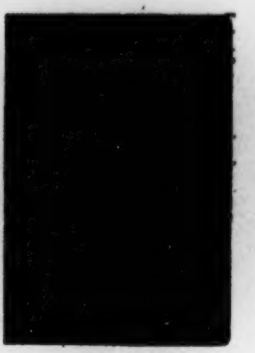
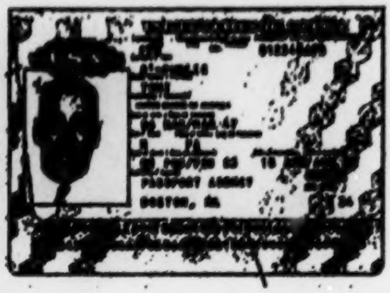
# CITIZEN NOT BORN IN U.S./NONCITIZEN NATIONAL

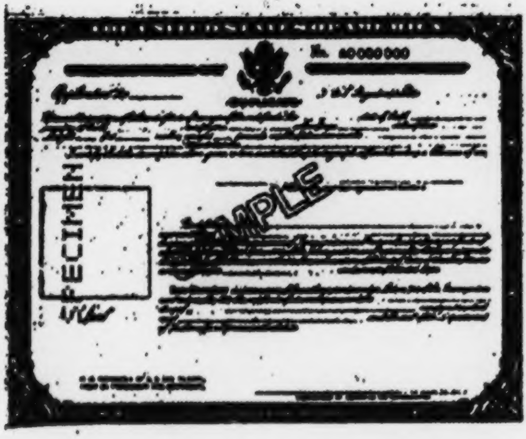
## U.S. Passport

*Can be used to document citizenship for citizen born abroad.*

*For noncitizen national — must be stamped "Noncitizen National" (Note that a passport issued by another country may be used to document permanent resident status, if it has the endorsement "Processed for I-551" and has a currently valid expiration date.)*







SPECIMEN

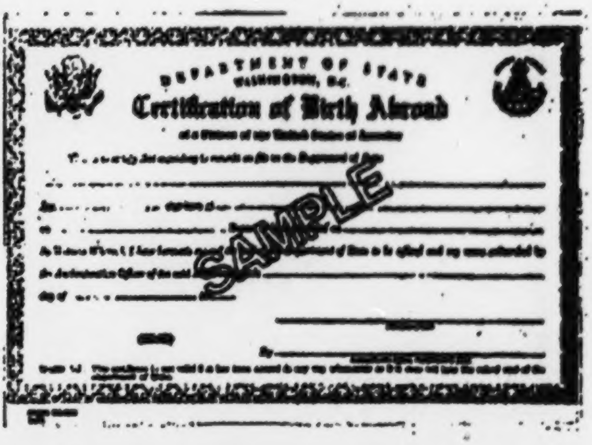
SAMPLE

## Certificate of Citizenship

*The Certificate of Citizenship is issued to persons who were born abroad of U.S. parent(s); who became citizens when their parents were naturalized; or who were adopted by U.S. parents.*

## Certification of Birth Abroad

*Issued to U.S. citizens born abroad. Must have embossed seal of the State Department.*



DEPARTMENT OF STATE
WASHINGTON, D.C.

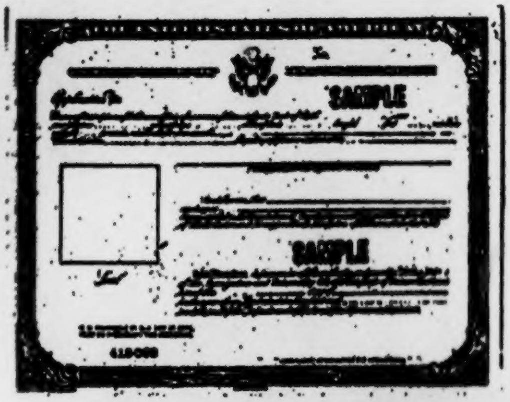
Certification of Birth Abroad

SAMPLE

BEST COPY AVAILABLE

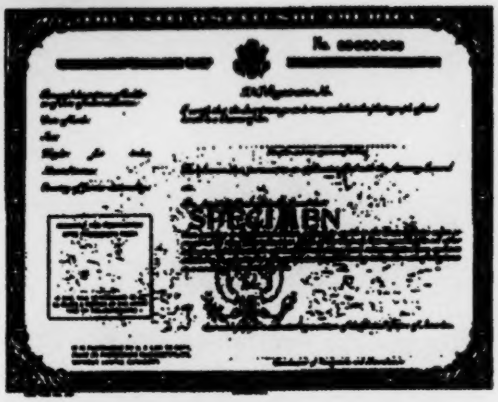
## Certificate of Naturalization

*The Certificate of Naturalization is issued to naturalized U.S. citizens.*


SAMPLE

SAMPLE

*A revised version of the Certificate of Naturalization is issued to citizens who file for naturalization after October 1, 1991.*

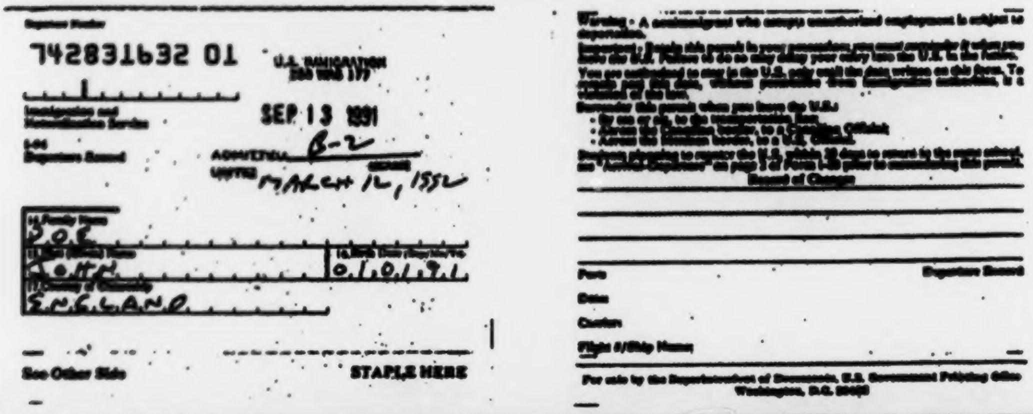

SPECIMEN

## PERMANENT RESIDENT/OTHER ELIGIBLE NONCITIZEN

### I-94 Arrival-Departure Record

*For permanent resident status—must be stamped "Processed for I-551" with expiration date, or "Temporary Form I-551," with appropriate information filled in.*

*For other eligible noncitizens—must be stamped as Refugee, Asylum Status, Conditional Entrant (before April 1, 1980), Parolee, Cuban-Haitian Entrant.*


742831632 01

SEP 13 1991

B-2

MARCH 12, 1992

DOE

JOHN

01 01 91

ENGLAND

See Other Side

STAPLE HERE

Port

Date

Carrier

Flight #/Ship Name

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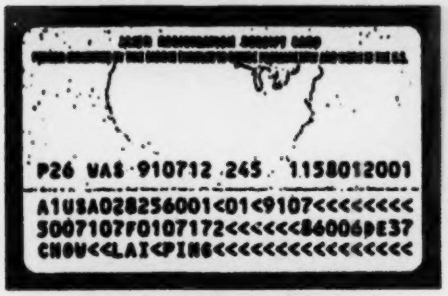
## PERMANENT RESIDENT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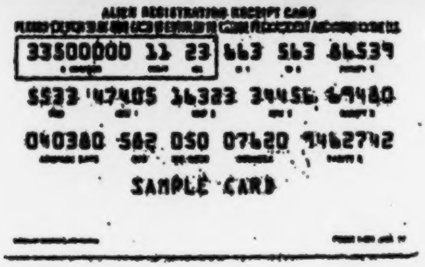
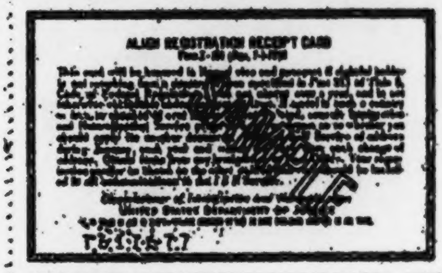


### Alien Registration Receipt Card I-151

**(two versions, front and back)**

*Issued prior to June 1978 to permanent residents. No longer issued, but valid indefinitely. Often referred to as a "green card," though it is not always green.*

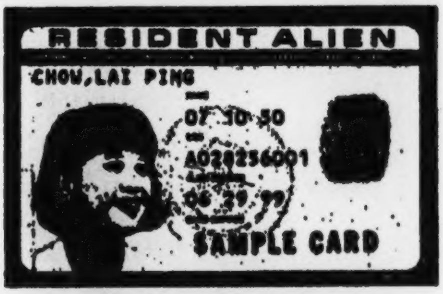


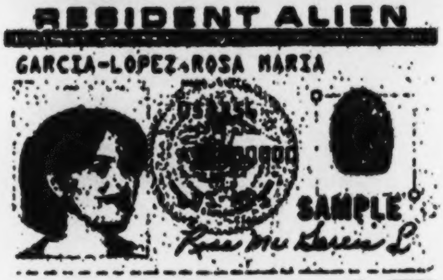
### Resident Alien Card I-551

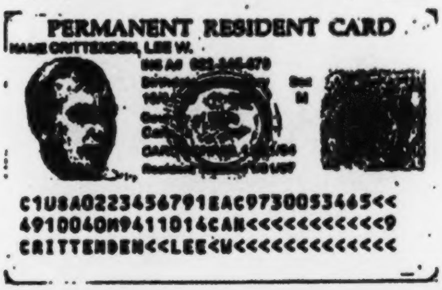
**(three versions, front only)**

*Issued to permanent residents. The I-551 is a revised version of the I-151. Often referred to as a "green card," though it is not always green.*

*The "Conditional Resident Alien Card" is an I-551 that is issued to conditional permanent residents such as alien spouses. This card is identified by a "C" on the front, and has an expiration date on the back.*






PERMANENT RESIDENT CARD
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CHAPTER 3

# NSLDS Financial Aid History

*Students who've previously attended other colleges may have a financial aid history that affects their eligibility for SFA funds at your school. For instance, a defaulted SFA loan or SFA grant overpayment would make the student ineligible for aid from any SFA program. You can review a student's financial aid history by using the National Student Loan Data System (NSLDS). NSLDS will also help you track changes to the student's financial aid history through the Postscreening and Transfer Monitoring processes.*

A person generally isn't eligible for SFA funds if he or she is in default on an SFA loan or must repay an SFA grant overpayment. This rule also applies to a parent seeking a PLUS Loan (through the FFEL or the Direct Loan program). For a parent to receive a PLUS Loan, neither the parent nor the student may be in default or owe an overpayment on an SFA loan or grant. There are several exceptions to these general rules on defaults and overpayments, as noted in the discussion below.

Any student applying for SFA funds must certify that he isn't in default on any SFA loan and doesn't owe an overpayment on any SFA grant or loan, or that he has made satisfactory arrangements to repay the overpayment or default. This certification statement is printed on the *Free Application for Federal Student Aid* (FAFSA).

A student is also ineligible if she has exceeded annual or aggregate loan limits. A student who inadvertently exceeded the limits can regain eligibility if she repays the extra amount borrowed, or makes arrangements to repay (see "Loan Limits").

Finally, a student is ineligible if his property is subject to a judgment lien for a debt owed to the United States and a parent can't receive a PLUS loan if either the student or parent is subject to such a lien. For example, if the Internal Revenue Service (IRS) had placed a lien on a student's property for failure to pay a federal tax debt or make satisfactory arrangements for repayment, the student would be ineligible for SFA funds.

When the FAFSA is processed, the CPS matches the student against the National Student Loan Data System (NSLDS) to see if the student is in default or owes a repayment. You can also determine from NSLDS whether a student has exceeded the loan limits. The CPS doesn't perform any matches to determine whether or not the student is subject to a judgment lien for a federal debt, and you aren't required to check for such liens. However, if you know that the student is subject to such a lien, you can't pay SFA funds to the student.

**SFA loans**

→ *Federal Perkins Loans (including National Direct Student Loans and National Defense Student Loans),*

→ *FFEL and Direct Loans known as Federal Stafford Loans, Federal Direct Subsicized and Unsubsidized Loans,,*

→ *Loans formerly known as Guaranteed Student Loans, Income Contingent Loans (ICL), SLS, and FISL*

→ *Federal PLUS Loans and Federal Direct PLUS Loans.*

→ *Federal Consolidation Loans, Federal Direct Consolidation Loans,*

**Federal default and debt cites**

*HEA Sec. 484(a)(3),*
*34 CFR 668.32(g)(1)*
*HEA Sec. 484(a)(3), 484(f),*
*34 CFR 668.32(g), 668.35*

**Judgment lien example**

*When Charlotte provides her parents' tax return to the aid administrator at Bennett College, he notices that they've reported business income, but didn't report a business asset on the FAFSA. Charlotte explains that they didn't report the business as an asset because there's a lien against the business for a federal loan. The aid administrator tells her that the asset must still be reported, and also that her parents won't be able to borrow a PLUS Loan as long as they are subject to the lien.*

**Financial aid history cite**
*34 CFR 668.19*
*"Dear Colleague" Letter GEN-96-13;*
*Federal Register notice*
*September 16, 1996*

**Loan limits and eligibility cites**
*See Volume 5 for Perkins Loan limits;*
*Volume 8 for Stafford Loan limits*
*HEA Sec. 484(f),*
*34 CFR 668.32(g)(2), 668.35(b)*

## NSLDS MATCH

To help you identify students with problems such as defaulted loans or overpayments, the CPS matches the student's FAFSA information with the student's financial aid history in the NSLDS database. You must resolve any conflicts between the NSLDS information and any other information you have about the student before disbursing SFA funds. For example, if the NSLDS shows that a student isn't in default but you have documentation showing that the student is in default, you must resolve this conflict before disbursing federal student aid.

The results of the NSLDS match are provided on the SAR and ISIR on the NSLDS Financial Aid History page and in the FAA Information Section. As is the case for other matches, a "C" next to the student's EFC indicates problems that must be resolved.

### *Successful match*

The SAR and ISIR will contain the NSLDS financial aid history information only if the student's identifying information matches the database and there is relevant information for the student in the database. The financial aid history won't be provided on a rejected application. If the student has no defaults or overpayments, or has made satisfactory repayment arrangements on a defaulted loan, the NSLDS match flag will be 1 and no C code will appear on the output document. A match flag of 2, 3, or 4 indicates that the student has defaulted loans or owes an overpayment or both. You will need to document that the problem has been resolved before disbursing aid, as described previously.

### *No data from match*

There are several reasons why a student's output document won't have financial aid history information. As already mentioned, the financial aid history isn't provided on a rejected application. For the other cases, you can check the NSLDS flags reported in the "FAA Information" section to determine why there's no NSLDS financial aid history.

▼ *Partial match.* If the student's SSN is in the NSLDS database, but the first name and date of birth don't match what the student reported, then no financial aid history will be reported, and the output document will have a C code. The output document will have a comment explaining that the financial aid history isn't provided because the name and date of birth do not match, and directing the student to work with his or her school to resolve any discrepancies. A partial match requires resolution, as explained in the following paragraph; otherwise you won't have information from the Department on defaults and overpayments.

If the student originally reported incorrect information, you can have the student submit correct information; the student's information will then be sent through the match again.

You can also access NSLDS directly using the reported SSN to determine if the NSLDS record belongs to the student. You must then determine whether the NSLDS record is the student's by considering whether other information your office has about the student is consistent with the NSLDS data. For example, if the name reported on the application is a nickname and the name in NSLDS is the actual name, you may assume that the record is the student's and use the NSLDS data to confirm the student's eligibility. Or if you know that the student attended a particular school in a particular award year, and NSLDS shows aid received at that school in that year, you may assume that the record belongs to the student. If you discover the discrepancy is due to the student misreporting the name or date of birth on the FAFSA, you should have the student make a correction. However, you may use the NSLDS record to determine the student's eligibility; you don't need to wait for the corrected data to be reported.

If you find that the financial aid history associated with the student's SSN doesn't belong to the student, you should assume that the student has no relevant financial aid information. You (or the student) may also contact the agency that reported someone else's data using the student's SSN, but you aren't required to do so. See "Dear Colleague" Letter GEN-96-13 for further discussion.

▼ *Student not in database.* If a match with NSLDS is completed but there's no information on the student in the database, then no financial aid history information can be provided. The output document will have a comment explaining that the student's SSN is not associated with any previous financial aid history. You can thus assume that the student has no financial aid history unless you have conflicting information.

▼ *No relevant history.* If a student's SSN matches a record in the NSLDS database but there's no relevant financial aid history information to report, then no information will be on the output document. For example, no data would be reported if the only information for a student was for a Pell received in the previous year, because that information isn't needed to determine the student's eligibility for aid for the current year. The SAR and ISIR will have a comment explaining that the student's record was matched with NSLDS, but no information was found to print on the NSLDS page.

▼ *Processing problem.* If there was a problem with the match, the SAR and ISIR won't include financial aid history information. The output document will have a C code and a comment explaining that the CPS couldn't determine whether the student has loans in default, and direct the student to contact the financial aid administrator. You must get the student's financial aid history before disbursing aid. If the student has to make corrections, the FAFSA information will go through the match again when the corrections are submitted, and you can use the results of that match to determine the student's eligibility. You or the student can also request a duplicate output document. The FAFSA information will go through the match again when the duplicate is requested, so you might get match results the second time.

**Example of misreported information on the FAFSA**

*When Sarven Technical Institute receives Tod's ISIR, it shows that there was a discrepancy with the NSLDS database, and so no financial aid history information is provided. The FAA asks Tod if he provided the correct name and birth date on the application. Tod says he wrote in the wrong month for his birth date, but his name is correct. The FAA checks the NSLDS database using Tod's SSN. NSLDS shows the correct birth date, but the first name of the student is Warren, not Tod. Sarven checks again with Tod, and this time he explains that Tod is a nickname, and Warren is his real name. Sarven determines that the financial aid history associated with the SSN belongs to Tod. It could disburse aid without requiring a correction, but Tod has other corrections to make, so Sarven will wait for the correction before disbursing aid.*

**Example of incorrect NSLDS data**

*Lydia is a first year undergraduate at Bennet College, and has never attended college before. When Bennet receives Lydia's ISIR, it shows that there was a partial match, and there's some data associated with her SSN. Bennet checks NSLDS directly, and it shows that a lender is reporting a loan made ten years ago (when Lydia was in elementary school) under her SSN, but with a completely different name and birth date. Bennet determines that this isn't Lydia's loan, and so she has no financial aid history in NSLDS. Bennet also suggests to Lydia that she should contact the lender and ask them to correct the NSLDS data, so it doesn't cause problems for her later on.*

## NSLDS Match

| *Result* | *Results flag* | *Match flag* | *"C" code or rejected application* | *Comment number and text* | *Action needed* |
|---|---|---|---|---|---|
| Match conducted, student not in default or overpayment | 1<br>Match found; NSLDS data sent | 1 | | No comment | None |
| Match conducted. SSN matched, but name and DOB did not match. | 2<br>Incomplete match; No NSLDS data sent | 7 | C code | 138 The National Student Loan Data System (NSLDS), found your reported social security number on their database, but neither name nor date of birth on the NSLDS record matched. Therefore this SAR does not contain the financial aid history that is associated with your reported SSN. | Resolution required. Determine if the NSLDS record is that of the applicant by accessing NSLDS online using SSN only to retrieve the matching data. This will help determine whether that SSN belongs to the student being assisted. This method will reveal which data provider provided the conflicting SSN information. This provider may then be contacted directly to resolve the discrepancy. There is no need to wait for NSLDS to be updated before continuing the award process. If the record belongs to the student, use the information in NSLDS to determine eligibility for SFA funds. |
| Match conducted. Student not in the NSLDS data file | 3<br>No match found. | 1 | | 140 | None |
| Student is in the NSLDS data file, but there is no relevant data to print | 4 | 1 | | 137 | None |
| Student has at least one loan in default | 1<br>Match found; NSLDS data sent | 2 | C code | 132 The National Student Loan Data System (NSLDS) indicates that you are in DEFAULT on a federal student loan. You are not eligible to receive any federal student aid until your default has been resolved. | The output document will also have comments indicating who holds the loan. The student must resolve the default before he or she can receive aid. |

## NSLDS Match (continued)

| *Result* | *Results flag* | *Match flag* | *"C" code or rejected application* | *Comment number and text* | *Action needed* |
|---|---|---|---|---|---|
| Match conducted. Student owes at least one overpayment. (Pell, FSEOG, or Perkins loan.) | 1 Match found; NSLDS data sent | 3 | C code | 133 The National Student Loan Data System (NSLDS) indicates that you received at least one overpayment of federal student aid funds. You are required by law to repay any funds received from the federal student aid programs to which you were not entitled. You are not eligible to receive any federal student assistance. | The output document will also have a comment identifying who holds the overpayment. The student must resolve the overpayment before he or she can receive aid. |
| Student has at least one defaulted loan and owes at least one overpayment. (Stafford or PLUS and Pell, FSEOG, or Perkins0 | 1 Match found; NSLDS data sent. | 4 | C code | 134 The National Student Loan Data System (NSLDS) indicates that you are in DEFAULT on at least one federal student loan and that you received at least one overpayment of federal student aid funds. You are not eligible to receive any federal student aid until your items have been resolved. | The required actions will be the same as for default and overpayment above. |
| Match not conducted due to processing problems |  | 8 |  | 131 | If corrections to the student's data are required, NSLDS match will be conducted again when corrections are sent to the CPS. If no corrections are needed, you must request a duplicate SAR/ISIR. When duplicate SAR/ISIR is requested, record will be sent through NSLDS match again. |

### *Postscreening—changes after initial match*

Once you have received the financial aid history through NSLDS, you aren't required to check for changes to the data before you disburse funds to the student. However, if you learn (from NSLDS or another source) that the student wasn't eligible or is no longer eligible, you must not deliver or disburse any more SFA funds and must help make sure the student arranges to repay the aid that he or she wasn't eligible for.

NSLDS now uses a "postscreening" process to let you know when there are significant changes to a student's financial aid history. If NSLDS postscreening identifies changes that may affect the student's eligibility, the CPS will generate new output documents so that schools that are listed for receipt of the student's FAFSA information will automatically be notified. Items that have changed since the last transaction are marked on the output document with a "#" sign.

To help you identify output documents with changed NSLDS data, the output document will include an NSLDS Transaction Number in the "FAA Information" section with the other match flags. The NSLDS Transaction Number is the number of the last transaction on which the NSLDS data changed. If you receive an output document with an NSLDS Transaction Number later than the one on the output document you used to determine the student's eligibility, you should review the NSLDS data on the new document to be sure there are no changes affecting the student's eligibility.

Note that if a student or school requests a duplicate output document, the request is also sent to NSLDS for matching. If the NSLDS data have changed, the request will be treated as a system-generated correction, and both the output document transaction number and the NSLDS Transaction number will be updated.

## CHECKING THE FINANCIAL AID HISTORY FOR TRANSFER STUDENTS

Before disbursing SFA funds, you must receive a financial aid history for a student who has received aid at another school, and you must inform NSLDS about the transfer student so that you can receive updates through the Transfer Monitoring Process. The financial aid history is used to identify students who are ineligible for any SFA aid due to default or overpayment on an SFA grant or loan, or for aid from a particular SFA program because they've reached that program's annual or aggregate limit.

▼ *Transfer Monitoring Process.* As of July 1, 2001, you must send NSLDS identifying information for students transferring to your school, so that NSLDS can notify you of changes to the student's financial aid history using the Transfer Monitoring Process. You may send information for students who have expressed an interest in attending your school, even if they have not yet formally applied for admission.

### ✷ Elimination of paper financial aid transcripts

*In the past, you had to get a student's financial aid history by requesting a paper financial aid transcript from the previous schools the student attended. Since 1996, schools have also been able to get student financial aid histories through NSLDS.*

*With the introduction of the Transfer Monitoring Process, schools are no longer required to respond to requests for a paper financial aid transcript. Paper FATs are being eliminated now that financial aid history for all students may be obtained through NSLDS.*

*34 CFR 668.19,*
*as revised November 1, 2000*

Through the Transfer Monitoring Process, NSLDS will monitor a transfer student's financial aid history and alert you to any relevant changes—other than the default and overpayment information reported in the Postscreening process—that may affect the student's current award(s). The Transfer Monitoring Process is made up of three steps: Inform, Monitor and Alert.

- You must identify students who are transferring to your school by creating a list of transfer students on the NSLDS website or by sending the list to NSLDS as an electronic batch file through TIVWAN/SAIG. You may use either method, both methods, or alternate between methods. A change in methods used does not require prior notification to NSLDS. To begin using the "Inform" feature, you must designate a school contact on the School Transfer Profile Page (www.nsldsfap.ed.gov) prior to creating any Inform records. The School Transfer Profile communicates to NSLDS who will be submitting Inform files from or on behalf of your school, and how your school wants to receive an alert notice.

- NSLDS will monitor these students for a change in financial aid history that may affect his or her current awards and alert you when: a new loan or Pell Grant is being awarded, a new disbursement is made on a loan or Pell Grant, a loan or Pell Grant (or a single disbursement) is cancelled, or the student's aggregate totals change. *Note: defaulted loans and overpayment information will not be monitored in the Transfer Monitoring Process, as they are already covered in the current Postscreening process.* If the student has not already listed your school in Step Six when filing the FAFSA, you would need to have the student add your school in order for you to receive the postscreening information.

- Finally, when NSLDS creates an alert for one or more of your students , it will also send an e:mail notice to your school's designated contact person. That person may then either review the alert list on the NSLDSFAP website or download a batch file through TIVWAN/SAIG in report or extract format.

▼ *Reviewing the student's financial aid history.* If a student transfers to your school during the award year, you'll need to review the student's NSLDS Financial Aid History on the ISIR or on-line at the NSLDS Web site. Using the Financial Aid History, you can determine—

- Whether the student is in default or owes an overpayment on an SFA loan or grant,

- The student's scheduled Pell grant and the amount already disbursed for the award year,

- The student's balance on all SFA loans, and

**✹ Transfer monitoring process**

***Through this new process for checking the eligibility of transfer students, you may either check the student's financial aid history on the NSLDS Web site for professionals, or wait 7 days after you've submitted the student's identifying information for monitoring.***

*NSLDSFAP*
*www.nsldsfap.ed.gov*

*"Dear Partner" Letter GEN-00-12*

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**How to get the student's financial aid history.**

***There are several ways for you to get the student's financial aid history from NSLDS. You can—***

- ***use the NSLDS Financial Aid History section of the SAR or ISIR,***
- ***request an electronic data or print file of the financial aid history for specific students through TIV-WAN/SAIG, or***
- ***log on to NSLDS directly and access the NSLDS data on-line for an individual student.***

**Targeted alert process**

*The preamble to the November 1, 2001 regulations explain why a separate Transfer Monitoring Process was developed: if the ISIR were used to provide this information, "every school that the student listed on the FAFSA would be required to receive an updated ISIR every time new disbursements were reported to NSLDS, including the school that reported those disbursements." Note that the Transfer Monitoring process will not send unnecessary alerts to your school when you report award changes that you have made—it only alerts you to changes to the student's financial aid history at other schools.*

*See Preamble to November 1, 2001*
*General Provisions amendments*
*FR Volume 65, No. 212, page 65669*

- The amount of and period of enrollment for all SFA loans for the award year.

In most cases, the financial aid history on the ISIR will be enough. There are some cases where you might want to check NSLDS for more information. For example, if the student has more than 12 loans, the ISIR won't have detailed information for some of the loans—if you need that level of detail for those loans, you can get the information from NSLDS. Or, as discussed previously, you might need to use NSLDS to resolve a partial match situation (see "Partial Match").

▼ *Timing of the disbursement.* To pay the student, you'll need to get a valid ISIR, which will include the student's NSLDS financial aid history. Among other things, the ISIR will tell you if the student is in default or owes and overpayment. The Postscreening process will send another ISIR to you if the student subsequently goes into default or overpayment status.

When you initiate Transfer Monitoring for a student, NSLDS will check and alert you to any significant award changes that have occurred since you last received an ISIR for the student. (If you initiate Transfer Monitoring before your school begins receiving ISIRs for that student, Transfer Monitoring will begin tracking changes to the student's financial aid history as of the date of your request, unless you request that it check for earlier changes.)

The regulations note that a school may not make a disbursement to the student for seven days following the Transfer Monitoring request to NSLDS, unless it receives an earlier response from NSLDS or checks the student's current financial aid history by accessing NSLDS directly. Therefore, it's usually a good idea to submit the student's name to NSLDS for Transfer Monitoring as soon as possible, even if the student has not yet decided to enroll at your school.

▼ *Consequences when a transfer student subsequently is found to be ineligible for all or part of an aid disbursement.* If the school has followed the proper procedures for obtaining financial aid history information from NSLDS, it is not liable for any overpayments if the student's situation subsequently changes. However, the student will be liable for the overpayment in this situation, and you may not pay the student further SFA funds until the overpayment is resolved. (See Chapter 8 for information on resolving overpayments.)

# NSLDS Loan Status Codes

## 2001-2002 SARs & ISIRs

| Code | Status | Eligible for SFA funds |
|---|---|---|
| AL | Abandoned Loan | No |
| BC | No Prior Default,<br>Bankruptcy Claim, Discharged (For FFELP, only includes Chapter 13 bankruptcies.) | Yes, because loan was not in default and was discharged |
| BK | No Prior Default,<br>Bankruptcy Claim, Active (For FFELP, only includes Chapter 13 bankruptcies.) | Yes, because loan was not in default |
| CA | Cancelled (For Perkins, means = Loan Reversal.) | Yes |
| CS | Closed School Discharge | Yes |
| DA | Deferred | Yes |
| DB | Defaulted, then Bankrupt, Active. (For FFELP, only includes Chapter 13 bankruptcies.) | No, unless debtor can show that loan is dischargeable. See Dear Colleague letter GEN-95-40, dated September 1995 |
| DC | Defaulted, Compromise | Yes, because compromise is recognized as payment in full |
| DD | Defaulted, Then Died | No, because if borrower is reapplying, then loan status is in error |
| DE | Death | No, because if borrower is reapplying, then loan status is in error |
| DF | Defaulted, Unresolved | No |
| DI | Disability | Yes |
| DK | Defaulted, Then Bankrupt, Discharged. (For FFELP, only includes Chapter 13 bankruptcies.) | Yes, because defaulted loan has been totally discharged |
| DL | Defaulted, in Litigation | No |
| DN | Defaulted, Then Paid in Full Through Consolidation Loan | Yes, does not matter if loan was in default at time of consolidation. |
| DO | Defaulted, Then Bankrupt, Active, other. (For FFELP, only includes Chapter 13 bankruptcies.) | No, unless debtor can show that loan is dischargeable. See Dear Colleague letter GEN-95-40, dated September 1995 |
| DP | Defaulted, Then Paid in Full | Yes, because loan was paid in full |
| DR | Defaulted Loan Included in Roll-up Loan | Yes, because the loan was combined with other loans. The status of that Roll-up loan will determine eligibility. |
| DS | Defaulted, Then Disabled | Yes, because loan debt is cancelled |
| DT | Defaulted, Collection Terminated | No |
| DU | Defaulted, Unresolved | No |
| DW | Defaulted, Write-Off | No |

| Code | Status | Eligible for SFA funds |
|---|---|---|
| DX | Defaulted, Satisfactory Arrangements, and Six Consecutive Payments | Yes, assuming student continues to comply with repayment plan on defaulted loan, or is granted forbearance by the GA |
| DZ | Defaulted, Six Consecutive Payments, Then Missed Payment | No. Borrower made satisfactory arrangements, but then failed to make continuous payments. Only eligible for satisfactory status once. |
| FB | Forbearance | Yes |
| FC | False Certification Discharge | Yes |
| IA | Loan Originated | Yes |
| ID | In School or Grace Period | Yes |
| IG | In Grace Period | Yes |
| IM | In Military Grace | Yes |
| IP | In Post-Deferment Grace (Perkins only) | Yes |
| OD | Defaulted, Then Bankrupt, Discharged, other. (For FFELP, only includes Chapter 7, 11, and 12 bankruptcies.) | Yes, because defaulted loan has been totally discharged |
| PC | Paid in Full Through Consolidation Loan | Yes. Does not matter whether consolidation loan was through FFELP or Direct Loan, nor whether underlying loans were in default |
| PF | Paid in Full | Yes |
| PM | Presumed Paid in Full | Yes |
| PN | Non-defaulted, Paid in Full Through Consolidation Loan | Yes |
| RF | Refinanced | Yes |
| RP | In Repayment | Yes |
| UA | Temporarily Uninsured – No Default Claim Requested | Yes |
| UB | Temporarily Uninsured – Default Claim Denied | No, because the loan was defaulted |
| UC | Permanently Uninsured/Unreinsured – No Default Claim Requested (For Perkins, non-defaulted loan purchased by School) | Yes |
| UD | Permanently Uninsured/Unreinsured – Default Claim Denied (For Perkins, defaulted loan purchased by School) | No, because the loan was defaulted |
| UI | Uninsured/Unreinsured | Yes |
| XD | Defaulted, Satisfactory Arrangements, and Six Consecutive Payments | Yes, assuming student continues to comply with repayment plan on defaulted loan, or is granted forbearance by the GA |

## EFFECT OF BANKRUPTCY OR DISABILITY CANCELLATION

A student who has filed bankruptcy or had a loan discharged for disability might need to provide some additional documentation before receiving aid.

✸ **NEW 3-year conditional period for disability cancellation**

*Federal Register: November 1, 2000*
*Loan Discharge Issues*
*[Page 65677-65695]*
*Perkins 34 CFR 674.61*
*FFEL 34 CFR 682.402*
*DL 34 CFR 685.212*

### *Bankruptcy*

A student with an SFA loan or grant overpayment that has been discharged in bankruptcy remains eligible for SFA loans, as well as SFA grants and Federal Work-Study (NSLDS Status Code BC for loans that did not default, Status Code DK for loans that defaulted prior to the bankruptcy discharge). A borrower doesn't have to reaffirm a loan discharged in bankruptcy in order to be eligible. The Bankruptcy Reform Act of 1994 prohibits denial of aid based solely on a bankruptcy discharge.

A borrower who listed a defaulted SFA loan or grant overpayment in an active bankruptcy claim is eligible for further SFA funds if the borrower provides you with documentation from the holder of the debt stating that the debt is dischargeable (NSLDS Status Code DO).

A borrower who includes a non-defaulted SFA loan in an active bankruptcy claim, so that collection on the loan is stayed, is eligible for SFA funds as long as he or she has no loans in default (including the stayed loan).

### *Total and permanent disability cancellation*

Perkins, Stafford, and PLUS loan borrowers can have their loans cancelled for a total and permanent disability, but as of July 1, 2001, there will be a three-year conditional period after the cancellation is approved. During this three-year period, the borrower will not have to pay on the loan, but must continue to meet the eligibility criteria for the disability cancellation. See *Volume 5: Perkins Loan Program* or *Volume 8: Direct Loan and FFEL Programs* for more information.

It's possible for a borrower whose loan is canceled because of disability to receive further aid from the SFA programs. If such a borrower wishes to take out an SFA loan, he or she must obtain certification from a legally licensed physician stating that the student's condition has improved and that the student 1) has the ability to engage in substantial gainful activity or 2) can attend school. Then the student must sign a statement indicating that he or she is aware that his or her new SFA loan can't later be canceled on the basis of any present impairment unless that condition substantially deteriorates to the extent that the definition of total and permanent disability is again met. Also, if the borrower, is within the three-year provisional period for disability cancellation of a prior loan, he must resume payment on that loan. The borrower isn't required to obtain a physician's certification or to sign the statement if he or she is applying for an SFA grant or work-study only.

### Example: documenting loan "Paid in Full"

*Eddy had a Stafford Loan as an undergraduate that went into default while he was out of school. When he applies for financial aid so he can go to graduate school, his ISIR shows that the loan is still in default. Eddy tells the aid administrator at Guerrero University that he paid off the loan last year. The aid administrator asks Eddy to bring in a letter from the guaranty agency documenting that the loan has been paid. and advises Eddy that he should ask the guaranty agency to update his status in NSLDS.*

### Additional ways of reestablishing eligibility for Perkins

*Reauthorization added a provision to the Perkins Program that reestablishes the borrower's eligibility for Perkins if the borrower meets any of the conditions that would remove his or her Perkins Loan from the cohort default rate. This provision only allows the borrower to regain eligibility for Perkins, not the other SFA programs. See Volume 5.*

### Satisfactory repayment and rehabilitation cites

*HEA Sec. 428F(a) and (b), 464(h)(1) and (2);*
*General Provisions*
*34 CFR 668.35(a)(2),*
*Perkins 34 CFR 674.5(f),*
*FFEL 34 CFR 682.200(b), 682.405,*
*Direct Loans 34 CFR 685.102(b), 685.211(e)*

### Rehabilitation example

*Eric continues making payments on his defaulted loan, and finally makes the 12 payments required for rehabilitation. His original lender isn't handling student loans anymore, so the guarantor finds another lender to purchase the loan. It takes the guarantor 3 months to arrange the purchase, and Eric needs to keep making the agreed on payments on time. Once the new lender has the rehabilitated loan, Eric can apply for an in-school deferment.*

## RESOLVING DEFAULT STATUS

A student who is in default on an SFA loan can't receive further SFA aid until he or she resolves the default. The student can resolve the default in a number of ways.

▼ *Repayment in full (including consolidation).* A student can resolve a default by repaying the loan in full and thereby regain eligibility for SFA funds (NSLDS Status Code DP). If the student and the loan holder agree on a compromised amount for settling a loan and the student repays the amount agreed upon, that also counts as paying the loan in full (Status Code DC). If a defaulted loan is successfully consolidated, then it is also counted as paid-in-full (Status Code DN). However, if the loan holder simply writes off the loan, the loan isn't paid in full, and the student remains ineligible for SFA funds (Status Code DW).

The student regains eligibility whether repayment was completed voluntarily or involuntarily (that is, through IRS offset or wage garnishment). Although a student who has repaid his or her defaulted loan in full is eligible for aid, you can still consider the default to be evidence of a student's unwillingness to repay loans and deny the student future Perkins Loans (see *Volume 5*).

If a student has paid a defaulted loan in full but the SAR and ISIR have a comment showing that he or she is ineligible because of the default, the student must give you documentation proving that the loan has been paid in full.

▼ *Satisfactory repayment arrangements.* A student in default on an SFA loan can be eligible for SFA aid if he or she has made repayment arrangements that are satisfactory to the loan holder. After the student makes six consecutive, full, voluntary payments on time, he or she regains eligibility for SFA funds (NSLDS Status Code DX).

Before you can pay the student, you must have documentation that the student has made satisfactory repayment arrangements. For example, the lender may update the code for the loan in NSLDS to DX once six payments have been made; you could then use the NSLDS information as confirmation of the repayment arrangement. You may also use a written statement from the loan holder indicating that the student has made satisfactory repayment arrangements as documentation of the arrangement.

▼ *Loan rehabilitation.* Although a student can regain eligibility for all SFA funds by making satisfactory repayment arrangements, the loan is still in default. After the student makes more payments, the loan may be rehabilitated (that is, it won't be in default any more), and the student has all the normal loan benefits, such as deferments. A loan will not be be rehabilitated until the borrower makes 12 consecutive, full, voluntary payments on time (see *Volume 5* for more information on rehabilitation in the Perkins/NDSL program , and *Volume 8* for FFEL and Direct Loans.)

# Social Security Matches

## CHAPTER 4

*To be eligible to receive SFA funds, each student must provide a correct Social Security Number (SSN). To confirm the student's SSN for schools, the Department conducts a match with the Social Security Administration. In this chapter, we discuss the SSN requirement and the match process.*

The FAFSA collects the student's Social Security Number (SSN) so that the Department can verify it through a tape match with the Social Security Administration. The Social Security Administration and the FAFSA processing system work together to conduct the match verifying that the student's SSN is valid and that the name and birth date associated with that SSN match the name and birth date provided by the student.

The Central Processing System won't process an application without an SSN. A student who doesn't have an SSN, or doesn't remember his or her SSN must contact the local Social Security office for help. For additional information (in English and Spanish), a student should call the Social Security Administration at 1-800-772-1213 or go to its web site (http://www.ssa.gov). There is one exception to the requirement to provide SSNs, as discussed below (see "Exception for Micronesia, Marshall Islands, Palau").

The SSN is one of the key identifiers for the student's records at the Department and other agencies. Therefore, you must make sure the Department knows the correct SSN if you have documentation that the SSN on the application or output document is wrong. You can fulfill this requirement by having the student correct the number, preferably on a new FAFSA.

### SSN MATCH

The CPS prints the match result in the "FAA Information" section of the output document as the SSN Match Flag. In addition, the CPS prints a comment giving the student instructions if there was a problem with the match. There is no comment if the match is successful.

If the match was successful, the CPS doesn't rematch the student's data against the Social Security database on subsequent transactions. However, the CPS will attempt the match again if the student makes corrections to the name, birth date, or SSN. (Note that the SSN can't be corrected if all the match elements were previously confirmed; see "Successful Match" below.)

**SSN requirement**
*Higher Education Act*
*Sec. 484(p),*
*Student Assistance General Provisions*
*34 CFR 668.32(i), 668.36*

**SSN doesn't match**

**Student reported wrong SSN**
**→ correct FAFSA data**
**FAFSA processing error**
**→ call 1-800 4 FED AID**
**Error in SSA database**
**→ Contact SSA office; resubmit SSN as correction after SSA change is made**

**Other match problems**
**→ SSN matches, but name and date of birth don't match**
**→ Missing FAFSA information: student didn't report a name or birthdate, or didn't sign the FAFSA**
**→ SSN record includes date of death**
**→ SSN record indicates holder is incarcerated**

Once all the match elements have been confirmed (that is, SSN, name, and birth date all match), the SSN flag will be carried forward to the next year's Renewal FAFSA, and the SSN match won't have to be performed again.

### *Successful match*

If the CPS match with the Social Security Administration confirms the student's SSN, and the Social Security records have the same name and birth date as reported on the FAFSA, you may disburse aid to the student. No comment is provided on the output document when the SSN match is successful. Of course, if you have any conflicting information about the SSN, you must resolve the conflict before disbursing SFA funds to the student.

Once a student's SSN is confirmed, and there is no discrepancy on the name or birth date, the student can't change the SSN. If a student whose match data have been confirmed subsequently tries to change his or her SSN, the CPS won't accept the change. Instead, the student's SAR will have a comment telling the student to contact his or her financial aid administrator for help. In the unlikely event that the confirmed SSN is wrong, the student must correct it by filing a new FAFSA.

### *No match on the Social Security Number*

You must resolve any problems with the match before disbursing aid. If the SSN is not found in the Social Security Administration database, the student's application will be rejected. The student will also receive a comment that instructs the student to correct his or her SSN or contact the Social Security Administration if he or she believes the SSN reported is correct. The student will have to correct the application information with the CPS and get a successful match result before he can receive aid.

▼ *Student reported wrong SSN on the FAFSA.* If the student's application is rejected because she reported an SSN that is not in the Social Security Administration's database, the student must provide a correct SSN to the CPS. The student could simply submit a correction (either on the SAR, or by asking your office to submit a correction through EDE). However, we strongly recommend that the student file a new application using the correct SSN, rather than correcting the original information, so that the correct SSN will be used in the Department's systems.

One reason for this recommendation is that the SSN is used by the Department as part of the student identifier. The CPS will correct the student's SSN, but will continue to use the SSN reported on the student's first application of the award year in the identifier for the student for that year. This may cause a conflict if another applicant also applies using that SSN (See "Applicants using Same SSN"). It may also cause confusion in communicating with other Department systems, such as NSLDS or the Pell payment system.

▼ *FAFSA data entry error.* If a student provided the correct SSN on the FAFSA, but the SSN on the output document is wrong, the student can contact the Federal Student Aid Information Center at 1-800 4 FEDAID (1-800-433-3243). If the Information Center confirms that there was a data entry error, it will refer the error to the Department for correction — the student does not need to submit a correction. After the data entry error is corrected, the CPS will produce new output documents. See Chapter 4 of the *Application and Verification Guide* for general information on data entry error corrections.

▼ *Error in Social Security database.* If the SSN on the FAFSA is correct, but isn't in the Social Security database, the student must contact a local or regional Social Security Administration office to update the database. He or she must report the correct SSN to the Social Security Administration and provide documentation verifying the correct number. The student must contact a Social Security Administration office directly — the Department of Education cannot correct Social Security records. The Social Security database is updated daily with information from local and regional offices. Once the Social Security database is updated, the student can submit a correction by re-entering the SSN originally reported as if it is a correction. The CPS will then match again with the Social Security database. Note that the student can't simply verify that the SSN is correct; the application will be rejected until the Social Security database is updated.

### No match on name or birth date

The student's application won't be rejected if the SSN is in the Social Security database but the name or birth date doesn't match those the student provided. Mispellings or name changes due to marriage are common reasons for a nonmatch — the student should make sure that the name she provides on the application matches the name on her Social Security card.

You can disburse aid if the student can explain the discrepancy and provide documentation showing that the SSN belongs to him or her. Although the student can receive SFA funds without correcting the name or birthdate reported on the FAFSA, we strongly recommend that the data be corrected. The incorrect name or birth date can prevent other matches (such as the NSLDS match) from working properly. Also, if the name or birth date is not corrected, financial aid history data may be submitted to NSLDS using the incorrect name or birth date, which may cause problems for the student in subsequent years.

If the student can provide documentation to you showing that the name and birth date reported on the FAFSA are correct, the student isn't required to contact the Social Security Administration to have the correction made to the Social Security database. However, you may want to suggest that the student update his or her information with the Social Security Administrations to prevent future problems.

**Example: Incorrect name on application**

*When Sarven Technical Institute receives Tod's ISIR, the FAA sees that, according to the SSN match, the name Tod provided on his application isn't the one associated with his SSN in the SSA database. The FAA asks Tod to bring in documentation showing his correct name and SSN. He brings in his Social Security card. The first name on the card is Warren, not Tod. He also has a driver's license showing his first name is Warren. The FAA could disburse aid to Tod, keeping a copy of the Social Security card as documentation of the correct name. However, because Tod has other corrections to make, the FAA asks him to also correct his name when he makes the other corrections.*

**Example: Correct name not in database**

*Elizabeth's ISIR shows that, according to the SSN match, her name doesn't match the one on file for her SSN. When the FAA talks to Elizabeth, she explains that she recently got married and changed her last name. Elizabeth gives the FAA a copy of her marriage certificate. The FAA plans to disburse aid to Elizabeth, but advises her to contact SSA and have the database updated to prevent future problems.*

If the student reported the current (or later) year as his or her birth date, the application will be rejected, and the student must submit a correction.

### Missing information

No match is performed if the student doesn't sign the FAFSA or provide a last name or birth date. The student's FAFSA will be rejected and the student must submit a correction with the missing information.

Although the CPS doesn't conduct the match, it will check to see whether the reported SSN falls within a valid range. If the SSN is in a valid range, the student will receive a comment explaining that the match could not be conducted without the name, birth date, or signature. The student must submit a correction providing the missing information. When the correction is sent, the information will be sent to the Social Security Administration for matching, and you should check the new output document for match results.

*If the SSN is not within the valid range,* the student will receive a comment stating that the reported SSN does not appear to be valid. In addition to submitting the missing name, birth date, or signature on a correction, the student must either contact the Social Security Administration to correct its records (if the reported SSN is correct) or correct the SSN he or she reported. Again, you should check the new output document for match results.

### Date of death

If the Social Security Administration's database shows a date of death associated with the SSN the student reported, the student's application will be rejected. Students resolve this problem in the same way as problems matching the SSN. The student must either contact Social Security Administration to get the records corrected, or must submit a change with the correct SSN (see "No Match on SSN").

### Prisoner match

Beginning with the 2001-2002 award year, ED is matching records with the Social Security Administration to determine if the student is incarcerated, and if so, in what type of penal institution. Incarcerated students are ineligible for SFA loans and, if incarcerated in a federal or state penal institution, are ineligible for Pell grants as well. For further information, see Action Letter #4 (GEN 00-22), Action Letter #6 (GEN 01-03),and the *Guide to 2001-2002 ISIRs.*

## Social Security Number Match

***Note: only students with a match flag of 4 (successful match) can get PINs***

| *Result* | *Match flag* | *"C" code or rejected application* | *Comment number and text* | *Action needed* |
|---|---|---|---|---|
| Successful match | 4 | | No comment | No resolution required. |
| Match conducted. Date of birth inconsistent with SSA records | 2 | C code | 060 The date of birth you reported on your application doesn't match the Social Security Administration's records. If your information is correct, contact SSA. If your information is incorrect, you should make corrections on this SAR. | The student may receive payment after providing documentation that explains the discrepancy and showing that the submitted SSN is correct. If the reported birth date was incorrect, the student should also submit a correction so that he can receive a PIN; the application will then be rematched, and the school should check for changes to the match results. If the reported date of birth was correct, the student should contact SSA to have it correct its records. |
| Match conducted. Name inconsistent with SSA records | 3 | C code | 061 The name you reported on your application doesn't match the Social Security Administration's records. If your information is correct, contact SSA. If your information is incorrect, you should make corrections on this SAR. | The student may receive payment after providing documentation that explains the discrepancy and showing that the submitted SSN is correct. If the reported name was incorrect, the student should submit a correction to the CPS. The application will then be rematched, and the school should check for changes to the match results. If the reported name is correct, the student may want to contact SSA so it can correct its records. |
| Match conducted. No match on SSN (SSN invalid) | 1 | Reject 18 | 024 The Social Security Administration (SSA) did not confirm that the social security number you reported on your aid application is valid. If you believe that the number you reported is correct, contact the SSA. If the social security number is incorrect, you should submit a new application with the correct social security number. | If the student's SSN is correct, the student should contact SSA to have it correct its database. Once the database is updated, the student can reenter the SSN and submit the change as a correction. If the SSN is incorrect, the student must correct the SSN, preferably by filing a new FAFSA with the correct SSN (see "Incorrect SSN on application"). |

## Social Security Number Match (continued)

| *Result* | *Match flag* | *"C" code or rejected application* | *Comment number and text* | *Action needed* |
|---|---|---|---|---|
| No match conducted. Record could not be sent to SSA because no last name, date of birth, or signature provided. | 8 | Rejects N, 5, 13, 14, and/or 16 | 059 The Social Security Administration could not determine if the social security number you reported belongs to you because you did not give us your last name, date of birth, or signature. | The student must make corrections to provide the name and date of birth, and/or signature. When the corrections are submitted, the application will be rematched with SSA. The school should check the new output document for the match results. |
| No match conducted. Record could not be sent to SSA because no last name, date of birth, or signature provided. | 8 | Reject P<br>Rejects N, 5,13, 14, and/or 16 | 023 It appears that the social security number you reported on your application is not valid. | The student must make corrections to provide the name and date of birth, and/or signature. In addition, if the student's SSN is correct, the student should contact SSA to have it correct its database. Once the database is updated, the student must reenter the SSN and submit the change as a correction. If the SSN is incorrect, the student can correct the SSN on the output document, or preferably file a new FAFSA with the correct SSN. |
| No additional match conducted. Applicant tried to change SSN after SSA verified that reported SSN was correct. | 4 | | 013 You cannot change your social security number, because the Social Security Administration already verified that this social security number belongs to you. | If the student used the wrong SSN, yet his name, date of birth, and SSN were confirmed by SSA on the previous transaction, contact ED's Correction Application Coordinator at 202-708-6719 for further instructions. (See "Applicants Using Same SSN.") |
| Match conducted. Successful match to a deceased person's record on the SSA database. | 5 | Reject 8 | 145 According to Social Security Administration (SSA) records, the social security number you provided in Item 8 belongs to a deceased person. If the SSN in Item 8 is correct, you must contact an SSA office to resolve this problem. | If the student's SSN is correct, the student must contact SSA to have it correct its database. Once the database is updated, the student can reenter the SSN and submit the change as a correction.<br>If the SSN is incorrect, the student can correct the SSN, preferably by filing a new FAFSA with the correct SSN. |

## APPLICANTS USING SAME SSN

When applicants with similar names report the same SSN by mistake, they may end up with a shared record identifier. The record identifier is made up of the SSN and the first two letters of the applicant's last name. The CPS uses this record identifier to identify the applicant for the rest of the award year, even if the student later makes a correction to the SSN or last name on the SAR or ISIR. If another student submits an application with the same SSN and first two letters of the last name, the CPS assumes the application is a duplicate application from the first applicant. As is usual with duplicate applications, the CPS won't accept the data on the new application (except for a new address or different schools). In addition, the shared number will cause problems for both students in the CPS and Pell systems, because the systems will treat them as a single student.

The student who has used the wrong SSN and now has a shared identifier **must** correct this error by filing a new FAFSA. The student cannot simply submit a correction on the SAR or through EDE, because he or she will still have the same, shared identifier.

If the student using the correct SSN applied after the other student, he or she must submit a special type of application called a "correction application." This correction application will cause the CPS to accept the student's data instead of treating the application as a duplicate and providing the other student's data on the output document. If the student using the correct SSN applied first, his or her data should already be on the application record, and so a correction application isn't necessary. However, the student should check to see if the address and schools have been changed, and should make corrections to those if necessary.

Both students should keep copies of all the output documents, including those from the first FAFSAs filed. When the students file the correction application or a new FAFSA, the application receipt date is changed. Because some schools and agencies use this receipt date to determine if the student met a deadline, the students should keep the output documents to show the original receipt date and to show why a second (and later) application was necessary.

If you believe that a Correction Application may be needed, contact the Department at 1-202-708-6719 for more information. If a Correction Application is necessary, you may request that it be mailed either to your office or to the student.

### Example: Students using same SSN

*Hector completes an application in January, but uses his brother Eddy's SSN instead of his own. When Hector gets his SAR, he realizes that he used the wrong SSN, corrects the SAR, and mails it back to the processor. He gets a new SAR with the correct SSN, but it has the same identifier as the first SAR. Eddy files an application in April, and is surprised to receive a SAR that doesn't match what was on his application because it has Hector's information instead. Eddy goes to the financial aid office at Guerrero University, where a counselor tells him he'll need to file a correction application. Hector is also attending Guerrero, so the counselor asks Eddy to have Hector contact the financial aid office so they can explain why he'll need to file a new application even though he already has a SAR with the correct information.*

**SSN exception for residents of the Freely Associated States**
*HEA Sec. 484(a)(4)*

## EXCEPTION FOR MICRONESIA, MARSHALL ISLANDS, PALAU

Students from the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau are not required to provide SSNs. Students from these areas who don't have SSNs should send their FAFSAs to the following address—not to the address on the FAFSAs or on the FAFSA envelopes:

Federal Student Aid Programs
P.O. Box 4010
Mt. Vernon, IL 62864-8610

The Department prefers that schools bundle such applications and send them as a group. These applications will first be assigned a special identifying number (in lieu of an SSN) in Item 8 of the FAFSA and then will be sent to the CPS for regular processing. These applications are exempt from the SSN match with the SSA.

Students who don't have SSNs can use *FAFSA on the Web* to apply for SFA funds electronically — there is an edit that allows these students to enter an SSN beginning with 888. As an alternative, you can use EDExpress to transmit the FAFSA data for these students electronically.

# Selective Service

## CHAPTER 5

*Anyone required to register with Selective Service at any time must have done so in order to receive SFA aid. The Department performs a match with Selective Service to confirm a student's registration. In this chapter, we discuss the registration requirement and the Selective Service match.*

## GENERAL INFORMATION

Men of ages 18 through 25 are required to register with the Selective Service System. This requirement covers both citizens of the United States and most other men residing in the United States, except that a man who is in the United States as a lawful nonimmigrant isn't required to register as long as he maintains that status. There are exceptions to the registration requirement, as discussed under "Exemptions." Students are required to register for Selective Service to be eligible for SFA funds, but parents who want to borrow a PLUS loan don't have to meet the registration requirement.

The student is given the opportunity to register as part of the application process. There's a question on the FAFSA that asks if the student wants Selective Service to register him. By answering "Yes", the student gives the Department of Education permission to submit his registration information to the Selective Service so that the student may be registered. A student can also ask to be registered by changing the answer to this question on the SAR to "Yes" and submitting the correction. The student may also go directly to the Selective Service web site at http://www.sss.gov and register online.

In some cases, a student will not be able to register using the FAFSA or SAR. Generally, however, a male student who is between 18 and 26 and who has not registered previously may use this method. Students who have questions about Selective Service registration may contact the Selective Service at 1-847-688-6888 or on the Web (http://www.sss.gov).

**Selective Service requirement**
*General Provisions*
*34 CFR 668.32(j), 668.37*

**Age and registration**
*The student can be registered with Selective Service as early as 30 days before his 18th birthday; if the student is too young Selective Service will hold the registration until the student is within 30 days of his 18th birthday. Students 26 and older can't be registered.*

**Gender and registration**
*Only males are required to register. Whether a person is male or female is a matter for medical determination. If a school needs to determine whether a student is male or female for Selective Service purposes, the school should tell the student to contact the Selective Service for a Status Information Letter.*

**Exemptions Cite**
*34 CFR 668.37(a)(2)*

**Exemption Examples**
*Tod has been on active duty in the Army from the time he was 18, and didn't register with Selective Service before he joined the Army. He's now 24, is planning to leave the Army, and wants to receive financial aid. If he applies while he's still on active duty, he doesn't need to be registered with Selective Service. Once he leaves, he must be registered, or else he won't be able to receive aid in later years. In most cases, when someone completes an enlistment contract he is automatically registered, so Tod is probably already registered even though he didn't complete a separate registration form.*

*George was enrolled in an officer procurement program at the Virginia Military Institute; he started a month before he turned 18. When he was 22, he had a serious accident and was hospitalized; he officially dropped out of school a month after he was hospitalized. Due to his injuries, he was hospitalized for four years. Because he qualified for a waiver for the entire time he was 18 through 25, he was not required to register with Selective Service.*

## EXEMPTIONS

Men exempted from the requirement to register include:

- males currently in the armed services and on active duty (this exception does not apply to members of the Reserve and National Guard who are not on active duty);
- males who are not yet 18 at the time that they complete their applications (an update is not required during the year, even if a student turns 18 after completing the application);
- males born before 1960; and
- citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau
- noncitizens who first entered the U.S. after they turned 26;
- noncitizens who entered the U.S. as lawful nonimmigrants on a valid visa and remained in the U.S. on the terms of that visa until after they turned 26.

There are certain less common situations in which registration isn't necessary. Students who weren't required to register prior to meeting one of these criteria and who meet a criterion for the entire time through the age of 25 qualify for the waiver if

- they are unable to register due to being hospitalized, incarcerated, or institutionalized;
- they are enrolled in any officer procurement program at The Citadel, North Georgia College and State University, Norwich University, Virginia Military Institute, Texas A&M University, or Virginia Polytechnic and State University; or
- they are commissioned Public Health Service officers on active duty or members of the Reserve of the Public Health Service on specified active duty.

If the student isn't required to register, you must document the student's status. If the student isn't clearly exempt from the requirement to register, you should ask the student to document the exemption by providing the school with a Status Information Letter from the Selective Service.

As mentioned above, noncitizens who first enter the U. S. after the age of 26 aren't required to register. Only those immigrant men who enter and live in the U.S. at ages 18 through 25 are required to be registered. If a male immigrant can show proof that he first entered the U.S. when he was past registration age, he is clearly not required to be registered, and no Status Information Letter is needed. The student's entry documentation is enough to show whether he was required to register.

## SELECTIVE SERVICE MATCH

To check that students who must be registered actually are registered, the CPS performs a match with the Selective Service System. The CPS provides a match flag showing the results in the FAA Information section of the output document. In addition, the output document has a comment about the match results.

### *Successful matches*

If the match shows that the student is registered or exempt, a comment confirming this fact will be on the student's output document. The student is then eligible for SFA aid.

The student is also eligible for aid if the match shows that the student is still too young to register. If the student asked to be registered, Selective Service will hold onto that registration request until 30 days before the student's 18th birthday and will then register the student.

Finally, the student is also eligible if the CPS successfully forwarded the student's name to Selective Service for registration.

### *Unsuccessful matches*

If the match didn't confirm the student's registration, or the student couldn't be registered, the output document will have a comment about the problem. A "C" flag will also be printed next to the student's EFC. Until the student resolves the registration problem, you can't pay SFA funds to the student or certify or originate a loan.

▼ *Registration not confirmed.* If the match showed that the student wasn't registered, the student must either register or provide evidence that he is registered or is exempt from registration. The student's Selective Service Registration Acknowledgement or letter of registration shows that the student is registered. You can also go to the Selective Service web site at **http://www.sss.gov** and check on the student's registration status—a printout of the web page is acceptable documentation that the student is registered. If the student doesn't have an acknowledgement or letter of registration, and the web site doesn't confirm his registration, he'll have to contact Selective Service to resolve the problem. If the conflict is resolved in the student's favor, he'll receive a letter from the Selective Service documenting that he is registered or that he is exempt from registering.

▼ *Unsuccessful registration.* The CPS won't be able to forward the student for registration if certain information—first and last name and date of birth—is missing. The student should submit a correction with the required information and you can check the match results from this correction to see if the student is eligible.

Forwarding the registration will also fail if the student is 26 or older. The student can no longer register, and you will have to determine if the student is still eligible despite failing to register; see "Failure to Register."

**Status Information Letter Codes**

*The Selective Service has a number of different types of Status Information Letters. Copies of the letters are included at the end of this chapter. A code appears in the lower left-hand corner to indicate the type of letter in question. The codes are listed here.*

*Decisions about financial aid for a man who failed to register with Selective Service should not be based solely on these letter codes. Financial Aid Administrators are obliged to review all evidence presented by a student to determine if he has shown "by a preponderance of evidence" that his failure to register was neither willful nor knowing.*

- *E1-E8. A letter with any of these codes indicates that the student was not required to register or was exempt the entire time he could have registered (ages 18 through 25).*
- *NR. A letter with this code indicates that the student was born before 1960 and is therefore not required to register.*
- *RR. A letter with this code indicates that the student said he attempted to register but that Selective Service has no proof that he attempted to register.*
- *NM. A letter with this code indicates that the student did not register although he was on active duty in the armed forces only for a portion of the time when he could have registered (between ages 18 through 25) and was, therefore, required to register.*
- *RL. A letter with this code indicates that the student was required to register, that the Selective Service has no record of his registration, and that Selective Service records show he was sent one or more letters requesting his compliance with the registration requirement during the period he was required to be registered.*
- *RD. A letter with this code indicates that the student provided a reason for not registering (or provided documentation proving him exempt from this requirement) but that the Selective Service determined the reason or documentation to be invalid; therefore, this code indicates that the student was required to register but did not. No notices requesting compliance with the registration requirement were sent.*

*To view sample copies of these letters, visit the SFA Handbook area of the IFAP Web site. ("Current Publications by Title" at www.ifap.ed.gov)*

**Unsuccessful Registration Example**

*On his FAFSA, Hector asks the CPS to forward his information to the Selective Service for registration. However, he's over 26, so the Selective Service can't register him. His output document comes back with*

## FAILURE TO REGISTER

Some students have been denied aid because they failed to register with the Selective Service before their 26th birthday. The Selective Service will register only males age 18 through 25, leaving older students with no way to remedy their situation if they failed to register. However, the student may still be eligible to receive aid, if he can demonstrate that he did not knowingly and willfully fail to register.

A student who served on active duty in the armed forces but who did not register before turning 26 is still eligible to receive SFA funds because it's reasonable to conclude that he was not trying to avoid registering for the draft. Ask the student to provide a copy of his DD Form 214, "Certificate of Release or Discharge from Active Duty," showing military service in the armed forces—other than the reserve forces, the Delayed Entry pool, and the National Guard—and release under a condition other than dishonorable.

Students without military service who knew of the registration requirement but chose not to register are considered to have knowingly and willfully failed to register. Your school's decision in this case is final and cannot be appealed to the Department.

### *Determining if nonregistration was knowing and willful*

Unless you can document that the student meets one of the allowable exemptions regarding registration or can document that the student has served in active duty in the armed forces, the student must write to the Selective Service to get a Status Information Letter addressing his failure to register. He may also download a request form from the Selective Service Web site (www.sss.gov) to print out, complete, and mail. The student should provide as complete a description about his situation as possible: where he was living during the period when he should have registered, whether he was incarcerated or institutionalized, his citizenship status during the period, if applicable, and so on.

If the student receives a "general exemption letter" (codes E1-E8) or a "DOB before 1960" letter (code NR), the student is exempt from registration and may receive SFA funds. If the student receives any other type of letter, you must determine based on all relevant evidence whether the student knowingly and willfully failed to register. The letter from Selective Service may provide information that is crucial to your decision. For example, if the student received a letter indicating a compliance letter had been sent (code RL), this letter would be a negative factor when you make the determination. If the student received a "Military Service: Noncontinuous" letter (code NM), you might reasonably determine that the student did not knowingly and willfully avoid registration.

Most of the Status Information Letters state that the final decision regarding the student eligibility rests with the agency awarding funds. For the purposes of the SFA Programs, the decision is made by your school, which represents the Department of Education. If you

## Selective Service Match

| *Result* | *Comment number and text* | *Action needed* |
|---|---|---|
| Match conducted.<br>Applicant's registration status confirmed by Selective Service.<br>**Match flag Y** | 029 | None |
| Match conducted.<br>Applicant not in Selective Service database<br>**Match flag N**<br>**C Code** | 030 The Selective Service reported that you have not registered with them. If you are female or were born before 1960, registration is not required. Otherwise, if you have not yet registered, are male, and are 18 through 25 years of age, you must either answer "Yes" to both items 27 and 28 on this SAR, complete a Selective Service registration form at your local post office, or register on-line at www.sss.gov. | Before the school can pay the student, the school must have proof that the student is exempt or the student must provide confirmation that he is registered (that is, his Selective Service Registration Acknowledgement or letter of registration). |
| Match conducted.<br>Student is within 45 days of his 18th birthday. Applicant is temporarily exempt because he is not yet 18 years old.<br>**Match flag blank T** | 026 If you want to register with Selective Service, you may answer "Yes" to both items 27 and 28 on this SAR, complete a Selective Service registration form at your local post office, or register on-line at www.sss.gov. Selective Service will not process your registration until 30 days before your 18th birthday.. | No resolution required. An update is not required during the year. |

determine that the student's failure to register was knowing and willful, the student loses SFA eligibility.

When deciding whether the student had knowingly and willfully failed to register, you should consider the following factors:

- **Where the student lived when he was age 18 through 25.** For example, if a student was living abroad, it is more plausible that he would not come into contact with the requirement for registration.

- **Whether the student claims that he thought he was registered.** Mistakes in recordkeeping can occur. Correspondence indicating an attempt to register could form a basis for determining that the student did not knowingly and willfully fail to register. On the other hand, a letter from Selective Service stating that it received no response to correspondence sent to the student at a correct address would be a negative factor.

- **Why the student was not aware of the widely publicized requirement to register when he was age 18 through 25.**

**Appeals—Selective Service registration**

*The school's decision is final and cannot be appealed to the Department, except in one limited instance. The regulations state that the Department will hear appeals from students who have provided their schools with proof that they are in compliance (i.e., that they are registered or exempt from registration) but who are still being denied federal student aid based on the registration requirement.*

## Results from Selective Service Registration via FAFSA

| *Result* | *Comment number and text* | *Action needed* |
|---|---|---|
| Registration conducted. Forwarded name to Selective Service for registration on application or SAR.<br>**Match Flag Y** | 031 We have forwarded your name to Selective Service for registration, as you requested. | No resolution needed. |
| Registration conducted. Forwarded name to Selective Service for registration as requested on application or SAR.<br>**Match Flag T** | 028 We have forwarded your name to Selective Service for registration, as you requested. They will process your registration request 30 days prior to your 18th birthday. | No resolution needed. |
| Registration not conducted.<br>Applicant requested that ED send name to Selective Service for registration, but applicant is either not within age range or some information needed to register him is missing.<br>**Match flag blank**<br>**C Code** | 033 We could not send your name to Selective Service as you requested because you did not give us enough information, you are outside the age range for registration, or you did not sign your form. If you are at least 18 but not yet 26, you may register by answering "Yes" to both items 27 and 29 on this SAR. You must also provide information for items 1, 2, and 9. You may also register by completing a Selective Service Registration form available at your local post office., or by registering on-line at **www.sss.gov** If you are a male who has reached age 26, you cannot use the SAR to register. You must contact Selective Service at 847-688-6888 to resolve your registration status before you can receive federal student aid. You are exempt from registering if born before 1960. | If the student is younger than 26, the student should make corrections and provide the missing information (first name, last name, or date of birth). The school should check the new output document for registration results.<br>If the student is 26 or older, he can receive aid if the school has proof that he is exempt, or if he can provide evidence of registration. If the student is not registered or exempt, he can only receive aid if the school determines that he did not knowingly and willfully fail to register. (See "Failure to Register.") |
| Registration not completed. Forwarded name to Selective Service for registration, but Selective Service did not complete registration process.<br>**Match flag N** | 057 Selective Service did not register you because you did not answer "Yes" to item 27. If you want to register, answer "Yes" to BOTH items 27 and 28 on this SAR, complete a Selective Service registration form at your local post office, or register on-line at **www.sss.gov** | Before the school can pay the student, it must have proof that the student is exempt or the student must provide confirmation that he is registered (that is, his Selective Service Registration Acknowledgment or letter of registration). |

## CHAPTER 6

# Expected Family Contribution (EFC)

*The EFC is a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education. The EFC is calculated according to a formula specified in the law. In this chapter, we describe the EFC formula in detail.*

## GENERAL INFORMATION

All the data used to calculate the EFC come from the information the student provides on the FAFSA. The CPS analyzes the information from the FAFSA and calculates the EFC. The EFC measures the family's financial strength on the basis of the family's income and assets. The EFC formula also takes into account the family's expenses relative to the number of persons in the household and how many of them will be attending college during the award year.

**Basic EFC formulas**

- → Dependent students
- → Independent students
- → Independent students with dependents

**Special calculations**

- → Simplified formula (no assets)
- → Automatic zero EFC
- → Other than 9-month enrollment

*HEA Sec. 474, 475, 476, 477, 478, 479*

Every year, the Department publishes updated tables used in the EFC calculation. For the 2001-2002 award year, these tables were published in the *Federal Register* on May 30, 2000.

The law provides three different formulas to calculate the EFC: one for dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse. In addition to the three regular formulas, the law provides for special calculations of the EFC in certain circumstances.

## SIMPLIFIED FORMULA

The simplified formula is basically the same as the regular formula, except that asset information isn't considered in the calculation. A dependent student qualifies for the simplified calculation if

- neither the student nor his parents were required to file an IRS Form 1040* and
- the parents' AGI (for taxfilers) or income earned from work (for nonfilers) was less than $50,000.

An independent student qualifies for the simplified calculation if

- neither the student nor his spouse was required to file an IRS Form 1040* and

* *A family member who was not required to file the IRS Form 1040 may have filed the 1040 solely to claim an education tax credit—this does not disqualify the applicant for purposes of the simplified formula or the automatic zero EFC.*

- the student and spouse's combined AGI (for taxfilers) or income earned from work (for nonfilers) was less than $50,000.

The application asks for asset information from all students, though the CPS will perform a calculation using the simplified formula (ignoring the asset data) if the student qualifies. If the asset data is provided, the CPS will also perform a full calculation using the asset data. A student who qualifies for the simplified formula and provides asset data will have two EFCs: the EFC from the simplified formula is called the primary EFC and is printed on the front of the student's SAR while the EFC from the full calculation is called the secondary EFC and is printed in the FAA Information section. In all cases the secondary EFC will be equal to or higher than the primary EFC. You may use either EFC when determining financial need.

## AUTOMATIC ZERO EFC

The law also provides for an automatic zero EFC for some students. The CPS will automatically assign a zero EFC to a dependent student if

- neither the parents nor the student was required to file an IRS Form 1040,* and
- the parents' combined AGI (for taxfilers) or combined income earned from work (for nonfilers) is $13,000 or less.

An independent student with dependents other than a spouse automatically qualifies for a zero EFC if:

- neither the student nor spouse was required to file an IRS Form 1040,* and
- the student's and spouse's combined AGI (for taxfilers) or combined income earned from work (for nonfilers) is $13,000 or less.

Independent students with no dependents other than a spouse do not qualify for an automatic zero EFC.

## ALTERNATE EFCS

The law specifies how the EFC of a dependent student must be modified if the student is going to enroll for other than a 9-month period. The EFC found in the upper right hand corner of the first page of the output document is based on a 9-month enrollment period and should always be used for awarding a Pell Grant, even if the student is attending for a longer or shorter period. The second section of the "FAA Information" area contains headings for the number of months, primary EFC, and secondary EFC, as well as a table of 1- to 12-month alternate EFCs. The figures in the table represent alternate EFCs that you must use to award aid if the student is attending for less than nine months and that you may use for more than nine months.

### Other Tax Forms

*A foreign tax return counts as an IRS Form 1040 to determine if one qualifies for the simplified formula and the automatic zero EFC. A tax return for Puerto Rico, Guam, American Samoa, the Virgin Islands, Marshall Islands, the Federated States of Micronesia, or Palau counts as an IRS Form 1040A or 1040EZ for the purposes of qualifying for the simplified formula and the automatic zero EFC.*

### Asset Information Not Reported on FAFSA

*If the student doesn't provide any asset information and qualifies for the simplified formula, his or her application will still be processed normally. The student will only receive one EFC, which will be produced by the simplified formula. However, if the student didn't qualify for the simplified formula, his or her application will be rejected, and the student will have to submit asset information before the CPS will calculate an EFC.*

### Automatic Zero EFC Cite

*Sec. 479(c)*

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* *A family member who was not required to file the IRS Form 1040 may have filed the 1040 solely to claim an education tax credit—this does not disqualify the applicant for purposes of the simplified formula or the automatic zero EFC.*

## FORMULA A — DEPENDENT STUDENTS

The EFC for a dependent student is calculated using the information for the student and the student's parents provided on the FAFSA. The CPS calculates a parents' contribution, a student's contribution from income, and a student's contribution from assets; the EFC is the sum of these three. The parents' contribution includes a contribution from assets.

Under the simplified formula, the parent's contribution doesn't include a contribution from assets, and the student's contribution from assets isn't used.

At the end of this section are worksheets and tables that can be used to calculate the EFC for a dependent student. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are greyed out.

**Formula for dependent students**

- **Parents' Contribution**
  - → Parents available income
  - Parents contribution from assets
  - Number in college
- **Student's Contribution from Income**
- **Student's Contribution from Assets**

### *Parents' Contribution*

There are three basic steps in calculating the parents' contribution. First, the parents' available income is determined. Then, the parents' contribution from assets is calculated. Finally, the parents' contribution is calculated using the available income, the contribution from assets, and the number in college.

▼ *Parents' available income.* The parents' available income is calculated by subtracting certain allowances from the parents' total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

The total income is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula. If the parents are taxfilers, the parents' AGI as reported on the FAFSA is the amount of the parents' taxable income used in the calculation. If the parents are not taxfilers, the calculation uses the parents' reported income earned from work. Note that "earned income credit" is included as part of total untaxed income and benefits only if the parents are taxfilers. Total income can be a negative number.

**Formula for dependent students**

- **Parents' Contribution**
  - → Parents available income
  - Parents contribution from assets
  - Number in college
- **Student's Contribution from Income**
- **Student's Contribution from Assets**

The sum of the following allowances are use to offset the parents' total income:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table A1. This allowance is a percentage of parents' total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below $15,000 or is $15,000 or more. The state to be used is the parents' state of legal residence reported on the FAFSA. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table A1 for a blank or invalid state is used (4% for total income below $15,000; 3% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.

- **Father's and mother's Social Security tax allowance.** The father's and mother's Social Security taxes are calculated separately by applying the tax rates shown in Table A2 to the father's income earned from work and the mother's income earned from work in 2000 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table A3. This allowance is a provision for the basic living expenses of a family. The allowance varies according to the number in the parents' household and the number in college in 2001-2002, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").

- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. For two working parents, the allowance is 35% of the lesser of the father's income earned from work (question 76) or the mother's income earned from work (question 77), but may not exceed $2,900. For one-parent families, the allowance is 35% of the parent's income earned from work, also not to exceed $2,900. If a student's parents are married and only one parent reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

**Formula for dependent students**

- **Parents' Contribution**
  Parents available income
  → Parents contribution from assets
  Number in college
- **Student's Contribution from Income**
- **Student's Contribution from Assets**

▼ *Parents' contribution from assets.* In the full formula, the assets of parents of a dependent student are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs. The formula evaluates the family's asset situation and determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strength. In the simplified formula, the assets aren't counted at all.

First, the parents' **net worth** is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table A4 to calculate the amount to be used.

Second, the parents' **discretionary net worth** is calculated by subtracting the education savings and asset protection allowance (Table A5) from the parents' net worth. As is the case with income, this is done to protect a portion of assets. The allowances for ages 40 through 65 approximate the present cost of an annuity which, when combined with Social Security benefits, would provide at age 65 a moderate level of living for a retired couple or single person. As shown in Table A5, the allowance increases with the age of the older parent (as reported on the FAFSA) to indicate the cost of purchasing such an annuity at a given age. Discretionary net worth may be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to obtain the **parents' contribution from assets**, which represents the portion of the value of parents' assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

▼ *Calculation of parents' contribution.* This is the final step in determining the parents' contribution. The parents' available income and contribution from assets are added together to determine the parents' adjusted available income. The adjusted available income can be a negative number. The total parents' contribution from adjusted available income is calculated from the amounts and rates in Table A6 and is the total amount parents are expected to contribute toward all of their family's postsecondary educational costs. The rates in Table A6 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. Therefore, a progressively larger amount of income may be contributed toward postsecondary educational costs with less effect on the maintenance of the family.

**Formula for dependent students**

- **Parents' Contribution**
  - Parents available income
  - Parents contribution from assets
  - Number in college
- → **Student's Contribution from Income**
- **Student's Contribution from Assets**

The parents' contribution for the individual student is calculated by dividing the total parents' contribution from adjusted available income by the number in college in 2001-2002, as reported on the FAFSA. Parents are not included in the number attending college.

*Alternate EFCs for other than 9-month enrollment.*

The standard parents' contribution is for a 9-month enrollment period. For an enrollment of less than 9 months, the parents' contribution is prorated according to the number of months of enrollment. The student's contribution from available income is also prorated and then added to the student asset contribution, which is not prorated. For an enrollment of more than 9 months; the parents' contribution is calculated by adjusting the standard 9-month formula on page 3 of Worksheet A of the EFC worksheets, and the student's contribution remains at the 9-month amount.

### *Student's Contribution from Income*

To determine the student's contribution from income, the student's available income (AI) is first calculated by subtracting total allowances from the student's total income. The AI is then assessed at a rate of 50% to obtain the student contribution from available income. If the student contribution from available income is less than zero, it's set to zero.

▼ *Student's available income.* The available income is the student's total income minus total allowances. As with the parents' income information, the student's total income is calculated using information from the student's FAFSA. The student's total income is the sum of the student's taxable and untaxed income, minus amounts reported in the income but excluded from the formula (see the *Application and Verification Guide* for more on these exclusions). If the student is a taxfiler, the student's AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student is not a taxfiler, the calculation uses the student's reported income earned from work. Total income may be a negative number.

The allowances are calculated by adding the following:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it's set to zero.

- **State and other tax allowance.** Use Table A7. This allowance is a percentage of the student's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the parents' state of legal residence is used. If all three items are blank or invalid, the rate for a blank or invalid state in Table A7 is used (2%). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's Social Security taxes are calculated by applying the tax rates shown in Table A2 to the student's income earned from work in 2000 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** The income protection allowance for a dependent student is $2,250.

- **Parent's negative AAI.** To recognize that a student's income may be needed to help support the family, the EFC calculation now allows a parent's negative adjusted available income (AAI) to reduce a dependent student's contribution from income. Because the student's contribution from income cannot be negative, this will not affect the student's contribution from assets.

**Formula for dependent students**

- **Parents' Contribution**
  Parents available income
  Parents contribution
  from assets
  Number in college

→ **Student's Contribution from Income**

- **Student's Contribution from Assets**

### *Student's Contribution from Assets*

The student's assets are treated the same way as the parents' assets with three differences—there is no adjustment to the net worth of a business or farm, there is no education savings and asset protection allowance, and net worth is assessed at the rate of 35%. Remember that under the simplified formula there's no student contribution from assets.

The student's net worth is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). Then, the student's net worth is multiplied by the conversion rate of 35% to obtain the student's contribution from assets, which represents the portion of the value of student's assets that may be considered to be available to help pay for the student's postsecondary education.

# Kitty, Lydia, & Owen:

## Dependent students

### Parents' Total Income

*Kitty and Lydia are sisters, and they are both dependent students. Their parents' AGI is $60,000; their father's income earned from work is $30,000, their mother's income earned from work is $25,000, and the parents reported $5,000 of taxable income from other sources. They also listed $2,000 in untaxed income on the FAFSA in question 78. Their total taxable and untaxed income is $62,000. They reported no exclusions on the FAFSA in question 80; therefore, their total income is $62,000. After the application was filed, Kitty told the FAA at Bennet that her mother was no longer employed and didn't have any other income. The FAA decided to use her professional judgment to adjust Kitty's application (see the* Application and Verification Guide*). The FAA reduces the AGI to $35,000 and the mother's income earned from work to zero. She doesn't make any other changes to income items. Therefore, the parents' total income used for Kitty's EFC will be $37,000.*

*Owen is a dependent student. His father's income earned from work is zero, since he had business losses of -$123,000, and his mother's income earned from work is $40,000. Their AGI, therefore, is -$83,000. They also reported $20,000 in untaxed income and benefits in question 79 on the FAFSA. They reported no exclusions in question 80. So Owen's parents' total income is -$63,000. Although his parents' income is very low, Owen doesn't qualify for an automatic zero EFC or the simplified formula because his parents were required to file a 1040.*

### Parents' Allowance and Available Income

*Kitty and Lydia's parents reported on the FAFSA that they paid $5,900 in U.S. income tax. The family lives in Illinois, so the percentage they use for calculating state and local taxes is 5%. The allowance for state and local taxes is $62,000 (the parents' total income) x 5%=$3,100. The father's Social Security tax allowance is $30,000 x 7.65%=$2,295; the mother's Social Security tax allowance is $25,000 x 7.65%=$1,913. They reported a household size of six, with two household members in college, so their income protection allowance is $24,900. Their employment expense allowance is $2,900, because 35% of the mother's income is $8,750. Therefore, the total allowances used in calculating Lydia's EFC are $41,008. When the FAA at Bennet adjusted the AGI and mother's income for Kitty, she also changed the income tax paid to $2,160. With the reduced total income, the allowance for state and local taxes is $1,850 ($37,000 x 5%). The father's Social Security tax allowance is still $2,295, but the mother's allowance is zero, because she has no income. The income protection allowance is still $24,900. Because only one parent has income from work, the employment expense allowance is zero. The total allowances used in calculating Kitty's EFC are $30,855. For Lydia's EFC, the parents' available income is $20,993. For Kitty's EFC, the parents' available income is $5,795.*

*Owen's parents reported zero U.S. income tax paid on the FAFSA. Because their total income is negative, using Table A1 to calculate a state and local tax allowance produces a negative number, so their state and local tax allowance is zero. His father's Social Security tax allowance is zero because he had no income earned from work. His mother's Social Security tax allowance is $40,000 x 7.65%=$3,060. They reported a household size of four on the FAFSA, with one in college, so their income protection allowance is $19,630. Because only one parent is employed, their employment expense allowance is zero. The total allowances used in calculating Owen's EFC are $22,690. Owen's parents' available income is -$85,690 (-$63,000 + -$22,690).*

## Contribution from Parental Assets

*Kitty and Lydia's parents reported $2,000 for cash, savings, and checking on the FAFSA. They didn't report any other assets. Their net worth is $2,000. The father, the older parent, is 50, so their education savings and asset protection allowance is $48,300. Their discretionary net worth is -$46,300; multiplying that amount by the conversion rate of 12% results in a negative number. Because the result is negative, the parents' contribution from assets is zero. After the FAA at Bennet reduced the AGI on Kitty's application because her mother isn't employed, Kitty qualified for the simplified needs test, and would receive both a primary (simplified) EFC and the secondary EFC from the full formula. However, because the parents' contribution from assets is zero, the primary EFC and the secondary EFC will be the same.*

*Owen's parents reported $15,000 for cash, savings, and checking on the FAFSA. They also reported $40,000 for the net worth of their investments, and $550,000 for the net worth of their business. The adjusted net worth of the business (the amount to be used in the EFC calculation) is $236,500 + ($550,000-$455,000)= $331,500. Owen's parents' net worth is $386,500. His mother, the older parent, is 60, so their education savings and asset protection allowance is $64,100. Their discretionary net worth is $386,500 - $64,100= $322,400. Multiplying this by the conversion rate of 12%, Owen's parents' contribution from assets is $38,688.*

## Parents' Contribution

*For Lydia's EFC, her parents' available income is $20,993 and their contribution from assets is zero, so their adjusted available income is $20,993. The total parents' contribution is $5,060 + ($893 x 40%)=$5,417. Because the number of household members in college is two, the parents' contribution for Lydia is $2,709. For Kitty, the parents' available income is $6,405. Because Kitty qualifies for the simplified formula, the parents' contribution is calculated both with and without including assets; however, because their contribution from assets is zero, the two will be the same. For each formula, their adjusted available income is $5,795. The total parents' contribution is $5,795 x 22%=$1,275, and the parents' contribution for Kitty is $637.*

*Owen's parents' available income is -$85,690, and their contribution from assets is $38,688. This makes their adjusted available income -$47,002. According to Table A6, their total parents' contribution is -$750; because this number is less than zero, zero is used as the total parents' contribution. The parents' contribution for Owen is also zero.*

## Student's Total Income

*Kitty reported an AGI and income earned from work of $6,000, and untaxed income of $1,000. She also had $2,000 of exclusions from income that she reported on the FAFSA. Her total income is $5,000. Lydia didn't file a tax form, but reported that she earned $3,250 from work. She also reported $1,750 in untaxed income, and no exclusions. Her total income is also $5,000.*

*Owen had an AGI of -$15,000, but reported income earned from work of $20,000. He also had untaxed income of $8,000, and no exclusions. His total income is -$7,000.*

## Student's Allowances and Contribution from Income

*Kitty reported income tax paid of $264. Her state of legal residence is Illinois, so her state and other tax allowance is $5,000 x 2% = $100. Her Social Security tax allowance is $6,000 x 7.65% = $459. With the $2,250 income protection allowance, and zero allowance for parents' negative income, her total allowances equal $3,075. Her available income is $5,000 - $3,075 = $1,925, and her contribution from income is $1,927 x 50% = $964.*

*Lydia didn't report any income tax paid. She also lives in Illinois, so her state and other tax allowance is $5,000 x 2% = $100. Her Social Security tax allowance is $3,250 x 7.65% = $249. With the $2,250 income protection allowance, and zero allowance for parents' negative income, her total allowances equal $2,599. Her available income is $5,000 - $2,599 = $2,401, and her contribution from income is $2,401 x 50% = $1,201.*

*Owen reported zero U.S. income tax paid on the FAFSA. Because his total income is negative, using Table A7 to calculate a state and local tax allowance produces a negative number, so his state and local tax allowance is also zero. Owen's Social Security tax allowance is $20,000 x 7.65%=$1,530. With the $2,250 income protection allowance and the allowance for parents' negative income ($47,002), his total allowances equal $50,782. His available income is -$7,000 - $50,782 = -$57,782; multiplying his available income by 50% produces a negative number, so his contribution from income is zero.*

## Student's Contribution from Assets

*Kitty reported $50 in cash, savings, and checking, and no other assets. Her net worth is $50, and her contribution from assets is $50 x 35% = $18. Because she qualified for the simplified formula, she receives an EFC without this amount added, as well as one with the contribution from assets added.*

*Lydia reported $500 in cash, savings, and checking, and no other assets. Her net worth is $500, and her contribution from assets is $500 x 35% = $175.*

*Owen reported $7,000 for cash, savings, and checking. He also reported $20,000 for the net worth of his investments, and $20,000 for his share of his parents' business. His net worth is $47,000, and his contribution from assets is $47,000 x 35% = $16,450.*

## Final EFC Examples

*After the FAA at Bennet has adjusted Kitty's data, her EFC is 637 (parents' contribution) + $964 (contribution from income) = 1,601. Because she qualified for the simplified formula, this EFC doesn't take her or her parents' assets into account. Her secondary EFC is $637 (parents' contribution) + $964 (contribution from income) + $18 (contribution from assets) = 1,619. Lydia's EFC is $2,709 (parents' contribution) + $1,201 (contribution from income) + $175 (contribution from assets) = 4,085.*

*Owen's EFC is $0 (parents' contribution) + $0 (contribution from income) + $16,450 = $16,450. Note that if Owen had qualified for the simplified formula, his EFC would be zero.*

# 2001-02 EFC FORMULA A: DEPENDENT STUDENT

**REGULAR WORKSHEET**
**Page 1**
**A**

## PARENTS' INCOME IN 2000

| | | |
|---|---|---|
| 1. Parents' Adjusted Gross Income (FAFSA/SAR #73) (If negative, enter zero.) | | |
| 2. a. Father's income earned from work (FAFSA/SAR #76) | ______ | ▨ |
| 2. b. Mother's income earned from work (FAFSA/SAR #77) | + ______ | ▨ |
| Total parents' income earned from work | = 2. | |
| 3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)* | | |
| 4. Untaxed income and benefits: | | ▨ |
| • Total from FAFSA Worksheet A (FAFSA/SAR #78) | ______ | ▨ |
| • Total from FAFSA Worksheet B (FAFSA/SAR #79) | + ______ | ▨ |
| Total untaxed income and benefits | = 4. | |
| 5. Taxable and untaxed income (sum of line 3 and line 4) | | |
| 6. Total from FAFSA Worksheet C (FAFSA/SAR #80) | - | |
| 7. **TOTAL INCOME** (line 5 minus line 6) May be a negative number. | = | |

## ALLOWANCES AGAINST PARENTS' INCOME

| | | |
|---|---|---|
| 8. 2000 U.S. income tax paid (FAFSA/SAR #74) (tax filers only); if negative, enter zero. | | |
| 9. State and other tax allowance (Table A1. If negative, enter zero.) | + | |
| 10. Father's Social Security tax (Table A2) | + | |
| 11. Mother's Social Security tax (Table A2) | + | |
| 12. Income protection allowance (Table A3) | + | |
| 13. Employment expense allowance: | | ▨ |
| • Two working parents: 35% of the lesser of the earned incomes, or $2,900, whichever is less | | ▨ |
| • One-parent families: 35% of earned income, or $2,900, whichever is less | | ▨ |
| • Two-parent families, one working parent: enter zero | + | |
| 14. **TOTAL ALLOWANCES** | = | |

## AVAILABLE INCOME

| | | |
|---|---|---|
| Total income (from line 7) | | |
| Total allowances (from line 14) | - | |
| 15. **AVAILABLE INCOME (AI)** May be a negative number. | = | |

*STOP HERE if both of the following are true: line 3 is $13,000 or less, plus the student and parents are eligible to file a 2000 IRS Form 1040A or 1040EZ (they are not required to file a 2000 Form 1040), or they are not required to file any income tax return. If both circumstances are true, the Expected Family Contribution is automatically zero.

## PARENTS' CONTRIBUTION FROM ASSETS

| | | | |
|---|---|---|---|
| 16. Net worth of investments** (FAFSA/SAR #81) If negative, enter zero. | | | |
| 17. Net worth of business and/or investment farm (FAFSA/SAR #82) If negative, enter zero. | | | ▨ |
| 18. Adjusted net worth of business/farm (Calculate using Table A4.) | + | | |
| 19. Cash, savings, & checking (FAFSA/SAR #83) | + | | |
| 20. Net worth (sum of lines 16, 18, and 19) | = | | |
| 21. Education savings and asset protection allowance (Table A5) | - | | |
| 22. Discretionary net worth (line 20 minus line 21) | = | | |
| 23. Asset conversion rate | X | .12 | |
| 24. **CONTRIBUTION FROM ASSETS** If negative, enter zero. | = | | |

## PARENTS' CONTRIBUTION

| | | |
|---|---|---|
| Available income (AI) (from line 15) | | |
| Contribution from assets (from line 24) | + | |
| 25. Adjusted Available Income (AAI) May be a negative number. | = | |
| 26. Total parents' contribution from AAI (Calculate using Table A6; If negative, enter zero.) | | |
| 27. Number in college in 2001-02 (Exclude parents) (FAFSA/SAR #65) | ÷ | |
| 28. **PARENTS' CONTRIBUTION** (standard contribution for 9-month enrollment)*** If negative, enter zero. | = | |

**Do not include the family's home.

***To calculate the parents' contribution for other than 9-month enrollment, see page 11.

*continued on reverse*

**REGULAR WORKSHEET Page 2** **A**

## STUDENT'S INCOME IN 2000

| | |
|---|---|
| 29. Adjusted Gross Income (FAFSA/SAR #39)<br>(If negative, enter zero.) | |
| 30. Income earned from work (FAFSA/SAR #42) | |
| 31. Taxable Income<br>(If tax filer, enter the amount from line 29.<br>If non-tax filer, enter the amount from line 30.) | ▨ |
| 32. Untaxed income and benefits: | ▨ |
| • Total from FAFSA Worksheet A (FAFSA/SAR #44) ________ | ▨ |
| • Total from FAFSA Worksheet B (FAFSA/SAR #45) + ________ | ▨ |
| Total untaxed income and benefits = 32. | |
| 33. Taxable and untaxed income<br>(sum of line 31 and line 32) | |
| 34. Total from FAFSA Worksheet C (FAFSA/SAR #46) - | |
| 35. TOTAL INCOME<br>(line 33 minus line 34) May be a negative number. = | |

## ALLOWANCES AGAINST STUDENT INCOME

| | | |
|---|---|---|
| 36. 2000 U.S. income tax paid (FAFSA/SAR #40)<br>(tax filers only); if negative, enter zero. | | |
| 37. State and other tax allowance<br>(Table A7. If negative, enter zero.) | + | |
| 38. Social Security tax allowance (Table A2) | + | |
| 39. Income protection allowance | + | 2,250 |
| 40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.) | + | |
| 41. TOTAL ALLOWANCES | = | |

## STUDENT CONTRIBUTION FROM INCOME

| | | |
|---|---|---|
| Total income (from line 35) | | |
| Total allowances (from line 41) | - | |
| 42. Available income (AI) | = | |
| 43. Assessment of AI | X | .50 |
| 44. STUDENT CONTRIBUTION FROM AI<br>If negative, enter zero. | = | |

## STUDENT'S CONTRIBUTION FROM ASSETS

| | | |
|---|---|---|
| 45. Net worth of investments*<br>(FAFSA/SAR #47)<br>If negative, enter zero. | | |
| 46. Net worth of business and/or investment farm<br>(FAFSA/SAR #48)<br>If negative, enter zero. | + | |
| 47. Cash, savings, & checking (FAFSA/SAR #49) | + | |
| 48. Net worth (sum of lines 45 through 47) | = | |
| 49. Assessment rate | X | .35 |
| 50. STUDENT'S CONTRIBUTION FROM ASSETS | = | |

## EXPECTED FAMILY CONTRIBUTION

| | | |
|---|---|---|
| PARENTS' CONTRIBUTION<br>(from line 28) | | |
| STUDENT'S CONTRIBUTION FROM AI<br>(from line 44) | + | |
| STUDENT'S CONTRIBUTION FROM ASSETS<br>(from line 50) | + | |
| 51. EXPECTED FAMILY CONTRIBUTION<br>(standard contribution for 9-month enrollment)** If negative, enter zero. | = | |

*Do not include the student's home.

** To calculate the EFC for other than 9-month enrollment, see the next page.

**NOTE:** *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford/Ford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

| Calculation of Parents' Contribution for a Student Enrolled LESS Than 9 Months | | |
|---|---|---|
| **A1. Parents' contribution**<br>**(standard contribution for 9-month enrollment, from line 28)** | | |
| **A2. Divide by 9** | ÷ | 9 |
| **A3. Parents' contribution per month** | = | |
| **A4. Multiply by number of months of enrollment** | X | |
| **A5. Parents' contribution for LESS than 9-month enrollment** | = | |

| Calculation of Parents' Contribution for a Student Enrolled MORE Than 9 Months | | |
|---|---|---|
| **B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)** | | |
| **B2. Difference between the income protection allowance for a family of four and a family of five, with one in college** | + | 3,530 |
| **B3. Alternate parents' AAI for more than 9-month enrollment (line B1 + line B2)** | = | |
| **B4. Total parents' contribution from alternate AAI (calculate using Table A6)** | | |
| **B5. Number in college (FAFSA/SAR #65)** | ÷ | |
| **B6. Alternate parents' contribution for student (line B4 divided by line B5)** | = | |
| **B7. Standard parents' contribution for the student for 9-month enrollment (from line 28)** | - | |
| **B8. Difference (line B6 minus line B7)** | = | |
| **B9. Divide line B8 by 12 months** | ÷ | 12 |
| **B10. Parents' contribution per month** | = | |
| **B11. Number of months student will be enrolled that exceed 9** | X | |
| **B12. Adjustment to parents' contribution for months that exceed 9 (multiply line B10 by line B11)** | = | |
| **B13. Standard parents' contribution for 9-month enrollment (from line 28)** | + | |
| **B14. Parents' contribution for MORE than 9-month enrollment** | = | |

| Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS Than 9 Months* | | |
|---|---|---|
| **C1. Student's contribution from AI**<br>**(standard contribution for 9-month enrollment, from line 44)** | | |
| **C2. Divide by 9** | ÷ | 9 |
| **C3. Student's contribution from AI per month** | = | |
| **C4. Multiply by number of months of enrollment** | X | |
| **C5. Student's contribution from AI for LESS than 9-month enrollment** | = | |

***For students enrolled more than 9 months, the standard contribution from AI is used (the amount from line 44).**

**Use next page to calculate total EFC for enrollment periods other than 9 months**

**REGULAR WORKSHEET**
**Page 4**
**A**

## Calculation of Total Expected Family Contribution for Periods of Enrollment Other Than 9 Months

| | | |
|---|---|---|
| **Parents' Contribution—use appropriate amount from previous page:**<br>• Enter amount from line A5 for enrollment periods less than 9 months<br>• Enter amount from line B14 for enrollment periods greater than 9 months | | |
| **Student's Contribution from Available Income**<br>• Enter amount from line C5 for enrollment periods less than 9 months<br>• Enter amount from line 44 for enrollment periods greater than 9 months | + | |
| **Student's Contribution from Assets**<br>• Enter amount from line 50 | + | |
| **Expected Family Contribution for periods of enrollment other than 9 months** | = | |

# 2001-02 EFC FORMULA A: DEPENDENT STUDENT

**SIMPLIFIED WORKSHEET Page 1** **A**

| PARENTS' INCOME IN 2000 | | |
|---|---|---|
| 1. Parents' Adjusted Gross Income (FAFSA/SAR #73) (If negative, enter zero.) | | |
| 2. a. Father's income earned from work (FAFSA/SAR #76) | ______ | ▨ |
| 2. b. Mother's income earned from work (FAFSA/SAR #77) | + ______ | ▨ |
| Total parents' income earned from work | = 2. | |
| 3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)* | | |
| 4. Untaxed income and benefits: | | ▨ |
| • Total from FAFSA Worksheet A (FAFSA/SAR #78) | ______ | ▨ |
| • Total from FAFSA Worksheet B (FAFSA/SAR #79) | + ______ | ▨ |
| Total untaxed income and benefits | = 4. | |
| 5. Taxable and untaxed income (sum of line 3 and line 4) | | |
| 6. Total from FAFSA Worksheet C (FAFSA/SAR #80) | - | |
| 7. TOTAL INCOME (line 5 minus line 6) May be a negative number. | = | |

| ALLOWANCES AGAINST PARENTS' INCOME | | |
|---|---|---|
| 8. 2000 U.S. income tax paid (FAFSA/SAR #74) (tax filers only); if negative, enter zero. | | |
| 9. State and other tax allowance (Table A1. If negative, enter zero.) | + | |
| 10. Father's Social Security tax (Table A2) | + | |
| 11. Mother's Social Security tax (Table A2) | + | |
| 12. Income protection allowance (Table A3) | + | |
| 13. Employment expense allowance:<br>• Two working parents: 35% of the lesser of the earned incomes, or $2,900, whichever is less<br>• One-parent families: 35% of earned income, or $2,900, whichever is less<br>• Two-parent families, one working parent: enter zero | + | |
| 14. TOTAL ALLOWANCES | = | |

| AVAILABLE INCOME | | |
|---|---|---|
| Total income (from line 7) | | |
| Total allowances (from line 14) | - | |
| 15. AVAILABLE INCOME (AI) May be a negative number. | = | |

*STOP HERE if both of the following are true: line 3 is $13,000 or less, plus the student and parents are eligible to file a 2000 IRS Form 1040A or 1040EZ (they are not required to file a 2000 Form 1040), or they are not required to file any income tax return. If both circumstances are true, the Expected Family Contribution is automatically zero.

| PARENTS' CONTRIBUTION FROM ASSETS | | |
|---|---|---|
| 16. Net worth of investments** (FAFSA/SAR #81) If negative, enter zero. | | |
| 17. Net worth of business and/or investment farm (FAFSA/SAR #82) If negative, enter zero. | | ▨ |
| 18. Adjusted net worth of business/farm (Calculate using Table A4.) | + | |
| 19. Cash, savings, & checking (FAFSA/SAR #83). | + | |
| 20. Net worth (sum of lines 16, 18, and 19) | = | |
| 21. Education savings and asset protection allowance (Table A5) | - | |
| 22. Discretionary net worth (line 20 minus line 21) | = | |
| 23. Asset conversion rate | X | .12 |
| 24. CONTRIBUTION FROM ASSETS If negative, enter zero. | = | |

| PARENTS' CONTRIBUTION | | |
|---|---|---|
| Available income (AI) (from line 15) | | |
| Contribution from assets (from line 24) | + | |
| 25. Adjusted Available Income (AAI) May be a negative number. | = | |
| 26. Total parents' contribution from AAI (Calculate using Table A6; if negative, enter zero.) | | |
| 27. Number in college in 2001-02 (Exclude parents). (FAFSA/SAR #65) | ÷ | |
| 28. PARENTS' CONTRIBUTION (standard contribution for 9-month enrollment)*** If negative, enter zero. | = | |

**Do not include the family's home.

***To calculate the parents' contribution for other than 9-month enrollment, see page 15.

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**SIMPLIFIED WORKSHEET Page 2** **A**

### STUDENT'S INCOME IN 2000

| | |
|---|---|
| 29. Adjusted Gross Income (FAFSA/SAR #39)<br>(If negative, enter zero.) | |
| 30. Income earned from work (FAFSA/SAR #42) | |
| 31. Taxable Income<br>(If tax filer, enter the amount from line 29.<br>If non-tax filer, enter the amount from line 30.) | |
| 32. Untaxed income and benefits:<br>• Total from FAFSA Worksheet A (FAFSA/SAR #44) ________<br>• Total from FAFSA Worksheet B (FAFSA/SAR #45) + ________<br>Total untaxed income and benefits = 32. | |
| 33. Taxable and untaxed income<br>(sum of line 31 and line 32) | |
| 34. Total from FAFSA Worksheet C (FAFSA/SAR #46) - | |
| 35. TOTAL INCOME<br>(line 33 minus line 34) May be a negative number. = | |

### ALLOWANCES AGAINST STUDENT INCOME

| | |
|---|---|
| 36. 2000 U.S. income tax paid (FAFSA/SAR #40)<br>(tax filers only); if negative, enter zero. | |
| 37. State and other tax allowance<br>(Table A7. If negative, enter zero.) + | |
| 38. Social Security tax allowance (Table A2) + | |
| 39. Income protection allowance + | 2,250 |
| 40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.) + | |
| 41. TOTAL ALLOWANCES = | |

### STUDENT CONTRIBUTION FROM INCOME

| | |
|---|---|
| Total income (from line 35) | |
| Total allowances (from line 41) - | |
| 42. Available income (AI) = | |
| 43. Assessment of AI X | .50 |
| 44. STUDENT CONTRIBUTION FROM AI =<br>(If negative, enter zero.) | |

### STUDENT'S CONTRIBUTION FROM ASSETS

| | |
|---|---|
| 45. Net worth of investments*<br>(FAFSA/SAR #47)<br>If negative, enter zero. | |
| 46. Net worth of business and/or investment farm<br>(FAFSA/SAR #48)<br>If negative, enter zero. + | |
| 47. Cash, savings, & checking (FAFSA/SAR #49) + | |
| 48. Net worth (sum of lines 45 through 47) = | |
| 49. Assessment rate X | .35 |
| 50. STUDENT'S CONTRIBUTION FROM ASSETS = | |

### EXPECTED FAMILY CONTRIBUTION

| | |
|---|---|
| PARENTS' CONTRIBUTION<br>(from line 28) | |
| STUDENT'S CONTRIBUTION FROM AI<br>(from line 44) + | |
| STUDENT'S CONTRIBUTION FROM ASSETS<br>(from line 50) + | |
| 51. EXPECTED FAMILY CONTRIBUTION<br>standard contribution for 9-month enrollment** (If negative, enter zero.) = | |

*Do not include the student's home.

** To calculate the EFC for other than 9-month enrollment, see the next page.

**NOTE:** *Use this additional page to prorate the EFC only if the student will be enrolled for other than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford/Ford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

| Calculation of Parents' Contribution for a Student Enrolled LESS Than 9 Months | | |
|---|---|---|
| **A1. Parents' contribution**<br>**(standard contribution for 9-month enrollment, from line 28)** | | |
| A2. Divide by 9 | ÷ | 9 |
| A3. Parents' contribution per month | = | |
| A4. Multiply by number of months of enrollment | X | |
| **A5. Parents' contribution for LESS than 9-month enrollment** | = | |

| Calculation of Parents' Contribution for a Student Enrolled MORE Than 9 Months | | |
|---|---|---|
| B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number) | | |
| B2. Difference between the income protection allowance for a family of four and a family of five, with one in college | + | 3,530 |
| B3. Alternate parents' AAI for more than 9-month enrollment (line B1 + line B2) | = | |
| B4. Total parents' contribution from alternate AAI (calculate using Table A6) | | |
| B5. Number in college (FAFSA/SAR #65) | ÷ | |
| B6. Alternate parents' contribution for student (line B4 divided by line B5) | = | |
| B7. Standard parents' contribution for the student for 9-month enrollment (from line 28) | - | |
| B8. Difference (line B6 minus line B7) | = | |
| B9. Divide line B8 by 12 months | ÷ | 12 |
| B10. Parents' contribution per month | = | |
| B11. Number of months student will be enrolled that exceed 9 | X | |
| B12. Adjustment to parents' contribution for months that exceed 9 (multiply line B10 by line B11) | = | |
| B13. Standard parents' contribution for 9-month enrollment (from line 28) | + | |
| **B14. Parents' contribution for MORE than 9-month enrollment** | = | |

| Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS Than 9 Months* | | |
|---|---|---|
| **C1. Student's contribution from AI**<br>**(standard contribution for 9-month enrollment, from line 44)** | | |
| C2. Divide by 9 | ÷ | 9 |
| C3. Student's contribution from AI per month | = | |
| C4. Multiply by number of months of enrollment | X | |
| **C5. Student's contribution from AI for LESS than 9-month enrollment** | = | |

*For students enrolled more than 9 months, the standard contribution from AI is used (the amount from line 44).

**Use next page to calculate total EFC for enrollment periods other than 9 months**

**SIMPLIFIED WORKSHEET Page 4** **A**

| | |
|---|---|
| **Parents' Contribution—use appropriate amount from previous page:**<br>• Enter amount from line A5 for enrollment periods less than 9 months<br>• Enter amount from line B14 for enrollment periods greather than 9 months | |
| **Student's Contribution from Available Income** +<br>• Enter amount from line C5 for enrollment periods less than 9 months<br>• Enter amount from line 44 for enrollment periods greater than 9 months | |
| **Expected Family Contribution for periods of enrollment other than 9 months** = | |

## Table A1: State and Other Tax Allowance

for Worksheet A (parents only)

| STATE | PERCENT OF TOTAL INCOME | |
|---|---|---|
| | $0-14,999 | $15,000 or more |
| Alabama | 5% | 4% |
| Alaska | 3% | 2% |
| American Samoa | 4% | 3% |
| Arizona | 6% | 5% |
| Arkansas | 6% | 5% |
| California | 8% | 7% |
| Canada | 4% | 3% |
| Colorado | 7% | 6% |
| Connecticut | 6% | 5% |
| Delaware | 8% | 7% |
| District of Columbia | 10% | 9% |
| Federated States of Micronesia | 4% | 3% |
| Florida | 4% | 3% |
| Georgia | 7% | 6% |
| Guam | 4% | 3% |
| Hawaii | 8% | 7% |
| Idaho | 7% | 6% |
| Illinois | 6% | 5% |
| Indiana | 6% | 5% |
| Iowa | 8% | 7% |
| Kansas | 7% | 6% |
| Kentucky | 7% | 6% |
| Louisiana | 4% | 3% |
| Maine | 9% | 8% |
| Marshall Islands | 4% | 3% |
| Maryland | 9% | 8% |
| Massachusetts | 9% | 8% |
| Mexico | 4% | 3% |
| Michigan | 9% | 8% |
| Minnesota | 9% | 8% |
| Mississippi | 5% | 4% |
| Missouri | 6% | 5% |
| Montana | 8% | 7% |
| Nebraska | 8% | 7% |
| Nevada | 3% | 2% |
| New Hampshire | 7% | 6% |
| New Jersey | 8% | 7% |
| New Mexico | 6% | 5% |
| New York | 11% | 10% |
| North Carolina | 8% | 7% |
| North Dakota | 6% | 5% |
| Northern Mariana Islands | 4% | 3% |
| Ohio | 8% | 7% |
| Oklahoma | 6% | 5% |
| Oregon | 10% | 9% |
| Palau | 4% | 3% |
| Pennsylvania | 7% | 6% |
| Puerto Rico | 4% | 3% |
| Rhode Island | 9% | 8% |
| South Carolina | 8% | 7% |
| South Dakota | 4% | 3% |
| Tennessee | 3% | 2% |
| Texas | 3% | 2% |
| Utah | 8% | 7% |
| Vermont | 8% | 7% |
| Virgin Islands | 4% | 3% |
| Virginia | 8% | 7% |
| Washington | 4% | 3% |
| West Virginia | 6% | 5% |
| Wisconsin | 10% | 9% |
| Wyoming | 3% | 2% |
| Blank or Invalid State | 4% | 3% |
| OTHER | 4% | 3% |

Multiply parents' total income (from Worksheet A, line 7) by the appropriate rate from the table above to get the "state and other tax allowance." Use the parents' *state of legal residence* (FAFSA/SAR #66). If this item is blank or invalid, use the student's *state of legal residence* (FAFSA/SAR #24). If both items are blank or invalid, use the *state* in the student's mailing address (FAFSA/SAR #6). If all three items are blank or invalid, use the rate for a blank or invalid state above.

### Table A2: Social Security Tax

Calculate separately the Social Security tax of father, mother, and student.

| Income Earned from Work* | Social Security Tax |
|---|---|
| $0 - $76,200 | 7.65% of income |
| $76,201 or greater | $5,829.30 + 1.45% of amount over $76,200 |

*Father's 2000 income earned from work is FAFSA/SAR #76.
Mother's 2000 income earned from work is FAFSA/SAR #77.
Student's 2000 income earned from work is FAFSA/SAR #42.
Social Security tax will never be less than zero.

### Table A3: Income Protection Allowance

| Number in parents' household, including student (FAFSA/SAR #64) | Number of college students in household (FAFSA/SAR #65) | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 2 .......... | $12,760 | $10,580 | —— | —— | —— |
| 3 .......... | 15,890 | 13,720 | $11,540 | —— | —— |
| 4 .......... | 19,630 | 17,440 | 15,270 | $13,090 | —— |
| 5 .......... | 23,160 | 20,970 | 18,800 | 16,620 | $14,450 |
| 6 .......... | 27,090 | 24,900 | 22,730 | 20,550 | 18,380 |

NOTE: For each additional family member, add $3,060.
For each additional college student (except parents), subtract $2,170.

### Table A4: Business/Farm Net Worth Adjustment

for EFC Formula Worksheet A (parents only)

| If the net worth of a business or farm is— | Then the adjusted net worth is— |
|---|---|
| Less than $1 | $0 |
| $1 to $90,000 | 40% of net worth of business/farm |
| $90,001 to $275,000 | $ 36,000 + 50% of excess over $90,000 |
| $275,001 to $455,000 | $128,500 + 60% of excess over $275,000 |
| $455,001 or more | $236,500 + 100% of excess over $455,000 |

## Table A5: Education Savings and Asset Protection Allowance

for EFC Formula Worksheet A (parents only)

| *Age of older parent** | Allowance if there are two parents | Allowance if there is only one parent | *Age of older parent** | Allowance if there are two parents | Allowance if there is only one parent |
|---|---|---|---|---|---|
| 25 or less.. | 0 | 0 | 45 ............ | 42,400 | 24,400 |
| 26 ............ | 2,500 | 1,500 | 46 ............ | 43,500 | 24,900 |
| 27 ............ | 5,000 | 2,900 | 47 ............ | 44,600 | 25,500 |
| 28 ............ | 7,500 | 4,400 | 48 ............ | 45,700 | 26,100 |
| 29 ............ | 10,000 | 5,800 | 49 ............ | 46,800 | 26,700 |
| 30 ............ | 12,500 | 7,300 | 50 ............ | 48,300 | 27,200 |
| 31 ............ | 15,000 | 8,600 | 51 ............ | 49,500 | 27,900 |
| 32 ............ | 17,500 | 10,200 | 52 ............ | 50,800 | 28,600 |
| 33 ............ | 19,900 | 11,700 | 53 ............ | 52,300 | 29,400 |
| 34 ............ | 22,400 | 13,100 | 54 ............ | 53,600 | 30,100 |
| 35 ............ | 24,900 | 14,600 | 55 ............ | 55,300 | 30,800 |
| 36 ............ | 27,400 | 16,100 | 56 ............ | 56,900 | 31,500 |
| 37 ............ | 29,900 | 17,500 | 57 ............ | 58,700 | 32,400 |
| 38 ............ | 32,400 | 19,000 | 58 ............ | 60,400 | 33,200 |
| 39 ............ | 34,900 | 20,400 | 59 ............ | 62,200 | 34,200 |
| 40 ............ | 37,400 | 21,900 | 60 ............ | 64,100 | 35,000 |
| 41 ............ | 38,400 | 22,300 | 61 ............ | 66,000 | 36,000 |
| 42 ............ | 39,300 | 22,800 | 62 ............ | 68,300 | 37,000 |
| 43 ............ | 40,300 | 23,300 | 63 ............ | 70,600 | 38,000 |
| 44 ............ | 41,400 | 23,800 | 64 ............ | 72,700 | 39,100 |
| | | | 65 or more | 75,100 | 40,400 |

*If age of older parent (FAFSA/SAR #69) is blank, use age 45 on the table.

## Table A6: Parents' Contribution From AAI

| **If parents' AAI is—** | | | **The parents' contribution from AAI is—** | | | |
|---|---|---|---|---|---|---|
| -$3,410 or less | | | -$750 | | | |
| -$3,409 | to | $11,400 | 22% of AAI | | | |
| $11,401 | to | $14,300 | $2,508 | + | 25% of AAI over | $11,400 |
| $14,301 | to | $17,200 | $3,233 | + | 29% of AAI over | $14,300 |
| $17,201 | to | $20,100 | $4,074 | + | 34% of AAI over | $17,200 |
| $20,101 | to | $23,000 | $5,060 | + | 40% of AAI over | $20,100 |
| $23,001 | or more | | $6,220 | + | 47% of AAI over | $23,000 |

## Table A7: State and Other Tax Allowance

for Worksheet A (student only)

| | |
|---|---|
| Alabama | 3% |
| Alaska | 0% |
| American Samoa | 2% |
| Arizona | 3% |
| Arkansas | 4% |
| California | 5% |
| Canada | 2% |
| Colorado | 4% |
| Connecticut | 2% |
| Delaware | 5% |
| District of Columbia | 7% |
| Federated States of Micronesia | 2% |
| Florida | 1% |
| Georgia | 4% |
| Guam | 2% |
| Hawaii | 6% |
| Idaho | 5% |
| Illinois | 2% |
| Indiana | 4% |
| Iowa | 5% |
| Kansas | 4% |
| Kentucky | 5% |
| Louisiana | 2% |
| Maine | 5% |
| Marshall Islands | 2% |
| Maryland | 6% |
| Massachusetts | 5% |
| Mexico | 2% |
| Michigan | 4% |
| Minnesota | 6% |
| Mississippi | 3% |
| Missouri | 3% |
| Montana | 5% |
| Nebraska | 4% |
| Nevada | 0% |
| New Hampshire | 1% |
| New Jersey | 3% |
| New Mexico | 4% |
| New York | 7% |
| North Carolina | 5% |
| North Dakota | 2% |
| Northern Mariana Islands | 2% |
| Ohio | 5% |
| Oklahoma | 4% |
| Oregon | 6% |
| Palau | 2% |
| Pennsylvania | 3% |
| Puerto Rico | 2% |
| Rhode Island | 4% |
| South Carolina | 5% |
| South Dakota | 0% |
| Tennessee | 0% |
| Texas | 0% |
| Utah | 5% |
| Vermont | 4% |
| Virgin Islands | 2% |
| Virginia | 4% |
| Washington | 0% |
| West Virginia | 4% |
| Wisconsin | 5% |
| Wyoming | 0% |
| Blank or Invalid State | 2% |
| OTHER | 2% |

Multiply the total income of student (Worksheet A, line 35) by the appropriate rate from the table above to get the "state and other tax allowance" (line 37 of Regular Worksheet A). Use the student's *state of legal residence* (FAFSA/SAR #24). If this item is blank or invalid, use the *state* in student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the parents' *state of legal residence* (FAFSA/SAR #66). If all three items are blank or invalid, use the rate for a blank or invalid state above.

## FORMULA B — INDEPENDENT STUDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE

**Formula for independent students without dependents other than a spouse**

- → **Contribution from available income**
- **Contribution from assets**

The EFC for an independent student without dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA. The CPS calculates a contribution from available income, and a contribution from assets. The sum of these two is divided by the number in college in 2001-2002, as reported on the FAFSA. The result is the EFC for the 2001-2002 award period. Under the simplified formula, the contribution from assets isn't used.

At the end of this section are worksheets and tables that can be used to calculate the EFC for an independent student without dependents other than a spouse. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are greyed out.

### *Contribution from Available Income*

To determine the student's contribution from available income, the student's available income is first calculated by subtracting total allowances from the student's total income. The allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number. The available income is then assessed at a rate of 50% to obtain the student's contribution from available income.

▼ *Total income.* The total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see the *Application and Verification Guide* for more on these exclusions). If the student and spouse are taxfilers, their AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not taxfilers, the calculation uses reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. Note that "earned income credit" is included as part of total untaxed income and benefits only if the student or spouse are taxfilers. Total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it's set to zero.

- **State and other tax allowance.** Use Table B1. This allowance is a percentage of the student and spouse's total income. The

**Formula for independent students without dependents other than a spouse**

→ **Contribution from available income**
- **Contribution from assets**

percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2%). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table B2 to the student's income earned from work in 2000 and the spouse's income earned from work in 2000 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** The income protection allowance for an unmarried student is $5,110. For a married student, the income protection allowance is $5,110 if the student's spouse is enrolled at least half time and $8,180 if the student's spouse isn't enrolled at least half time.

- **Employment expense allowance.** Families with two working spouses have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. If the student isn't married, the employment expense allowance is zero. If the student is married but only one person is working (either the student or the student's spouse), the allowance is zero. If both the student and his or her spouse are working, the allowance is 35% of the lesser of the student's income earned from work (question 42) or the spouse's income earned from work (question 43), but may not exceed $2,900.

### *Contribution from Assets*

For students who qualify for the simplified formula, there is no contribution from assets. In the full formula, the assets of an independent student with no dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs.

First, the net worth of the student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table B3 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table B4) from the net worth. The allowance increases with the age of the student as of December 31, 2001, which may be determined from the student's date of birth (as reported on the FAFSA). This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 35% to obtain the student and spouse's contribution from assets, which represents the portion of the value of the assets that is considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it's set to zero.

***Alternate EFCs for other than 9-month enrollment***

The standard EFC is for a 9-month enrollment period. If the student will be enrolled for less than 9 months, the EFC is simply prorated by dividing it by 9 and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than 9 months, however, the EFC will now remain at the 9-month amount.

# Elizabeth and Doug:

## Independent students w/o dependents

### Total Income

*Elizabeth is married, but has no other dependents. Her AGI is $35,000; her income earned from work is $10,000 and her husband's income earned from work is $25,000. She reported no untaxed income on the FAFSA, so her total taxable and untaxed income is $35,000. She reported $6,000 in exclusions on the FAFSA in question 46; therefore, her total income is $29,000.*

*Doug is a graduate student, and has no dependents. He didn't file a tax return, so he has no AGI. His income earned from work is $4,000. He reports no untaxed income and no exclusions on the FAFSA, so his total income is $4,000. Because Doug's parents have been paying his expenses, the FAA at Guerrero University makes an adjustment to Doug's application to account for their support. The FAA adds $12,000 as untaxed income. After the adjustment, Doug's total taxable and untaxed income is $16,000. He still has no exclusions on the FAFSA, so his total income is $16,000.*

### Allowances and Contribution from Available Income

*Elizabeth reported income tax paid of $3,371. Her state of legal residence is Ohio, so her state and other tax allowance is $29,000 x 5% = $1,450. Her Social Security tax allowance is $10,000 x 7.65% = $765, and her husband's Social Security tax allowance is $25,000 x 7.65% = $1913. Her husband isn't enrolled at least half time, so her income protection allowance is $8,180. Her employment expense allowance is $2,900, because 35% of her income is $3,500. Elizabeth's total allowances equal $18,579. Her available income is $29,000 - $18,579 = $10,421, and her contribution from income is $10,421 x 50% = $5,211.*

*Doug reported zero U.S. income tax paid on the FAFSA. His state of legal residence is Florida, so on his original application his state and other tax allowance is \$4,000 x 1% = \$40. Doug's Social Security tax allowance is \$4,000 x 7.65%=\$306. His income protection allowance is \$5,110, and his employment expense allowance is zero. Doug's total allowances equal \$5,456. His available income is \$4,000 - \$5,456= -\$1,456, and his contribution from income is -\$1,456 x 50% = -\$728. After the FAA at Guerrero makes her professional judgment adjustment, his state and other tax allowance is \$16,000 x 1% = \$160. The other allowances are the same as before, and now Doug's total allowances equal \$5,576. His available income is \$16,000 - \$5,576 = \$10,424, and his contribution from income is \$10,424 x 50% = \$5,212.*

## Contribution from Assets Examples

*Elizabeth reported \$900 for cash, savings, and checking on the FAFSA. Her husband also has a business with a negative net worth; following the instructions on the FAFSA, she reported this net worth as zero. The adjusted net worth of the business (the amount to be used in the EFC calculation) is also zero. Elizabeth is 24 years old, so her asset protection allowance is \$0. Her discretionary net worth is \$900 - \$0 = \$900. Multiplying this by the conversion rate of 35%, her contribution from assets is \$315. Because Elizabeth and her husband were required to complete a 1040, Elizabeth doesn't qualify for the simplified formula.*

*Doug reported \$20 for cash, savings, and checking on the FAFSA. He reported no other assets. He's 29 years old as of December 31, 1999, so his asset protection allowance is \$6,600. His discretionary net worth is -\$6,580; multiplying that amount by the conversion rate of 35% results in a negative number. Because the result is negative, Doug's contribution from assets is zero. Doug qualifies for the simplified formula, but because the contribution from assets is zero the EFC from the two formulas will be the same.*

## Final EFC Examples

*Elizabeth's contribution from income and assets is \$5,211 + \$315 = \$5,526. Because there's only one person in college, her EFC is also 5526. If her husband were also enrolled in college, her income protection allowance would have been lower (\$5,110), so her available income would be higher. Her contribution from income would have been \$6,746, and her contribution from income and assets would have been \$7,061. Because there would be two household members in college, this amount would have been divided by 2 to determine Elizabeth's EFC, 3530.*

*On Doug's original application, his contribution from income and assets is –\$728 + 0 = -\$728. Dividing this by the number in college, 1, the EFC would be –728. Because this amount is less than zero, it's set to zero, and Doug's EFC is zero. After the FAA adjusts Doug's application to add in support from his parents, his contribution from income and assets is \$5,212 + 0 = \$5,212. Because there's only one person in college, this is also his EFC, 5212.*

# 2001-02 EFC FORMULA B: INDEPENDENT STUDENT
## Without Dependent(s) Other Than A Spouse

**REGULAR WORKSHEET Page 1** **B**

### STUDENT/SPOUSE INCOME IN 2000

| | | |
|---|---|---|
| 1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #39) (If negative, enter zero.) | | |
| 2. a. Student's income earned from work (FAFSA/SAR #42) | ______ | |
| 2. b. Spouse's income earned from work (FAFSA/SAR #43) | + ______ | |
| Total student/spouse income earned from work | = 2. | |
| 3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.) | | |
| 4. Untaxed income and benefits: | | |
| • Total from FAFSA Worksheet A (FAFSA/SAR #44) | ______ | |
| • Total from FAFSA Worksheet B (FAFSA/SAR #45) | + ______ | |
| Total untaxed income and benefits | = 4. | |
| 5. Taxable and untaxed income (sum of line 3 and line 4) | | |
| 6. Total from FAFSA Worksheet C (FAFSA/SAR #46) | - | |
| 7. TOTAL INCOME (line 5 minus line 6) May be a negative number. | = | |

### ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

| | | |
|---|---|---|
| 8. 2000 U.S. income tax paid (FAFSA/SAR #40) (tax filers only); if negative, enter zero. | | |
| 9. State and other tax allowance (Table B1. If negative, enter zero.) | + | |
| 10. Student's Social Security tax (Table B2) | + | |
| 11. Spouse's Social Security tax (Table B2) | + | |
| 12. Income protection allowance:<br>• $5,110 for unmarried or separated student;<br>• $5,110 for married student if both student & spouse are enrolled at least 1/2 time;<br>• $8,180 for married student if only the student is enrolled at least 1/2 time. | + | |
| 13. Employment expense allowance:<br>• If student is not married or is separated, the allowance is zero.<br>• If student is married but only one person is working (the student or spouse), the allowance is zero.<br>• If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or $2,900, whichever is less. | + | |
| 14. TOTAL ALLOWANCES | = | |

### CONTRIBUTION FROM AVAILABLE INCOME

| | | |
|---|---|---|
| Total income (from line 7) | | |
| Total allowances (from line 14) | - | |
| 15. AVAILABLE INCOME (AI) | = | |
| 16. Assessment rate | X | .50 |
| 17. CONTRIBUTION FROM AI May be a negative number. | = | |

### STUDENT/SPOUSE CONTRIBUTION FROM ASSETS

| | | | |
|---|---|---|---|
| 18. Net worth of investments* (FAFSA/SAR #47) If negative, enter zero. | | | |
| 19. Net worth of business and/or investment farm (FAFSA/SAR #48) If negative, enter zero. | | | |
| 20. Adjusted net worth of business/farm (Calculate using Table B3.) | | + | |
| 21. Cash, savings, & checking (FAFSA/SAR #49) | | + | |
| 22. Net worth (sum of lines 18, 20, and 21) | | = | |
| 23. Asset protection allowance (Table B4) | | - | |
| 24. Discretionary net worth (line 22 minus line 23) | | = | |
| 25. Asset conversion rate | | X | .35 |
| 26. CONTRIBUTION FROM ASSETS If negative, enter zero. | | | |

### EXPECTED FAMILY CONTRIBUTION

| | | |
|---|---|---|
| Contribution from AI (from line 17) May be a negative number. | | |
| Contribution from assets (from line 26) | + | |
| 27. Contribution from AI and assets | = | |
| 28. Number in college in 2001-02 (FAFSA/SAR #65) | ÷ | |
| 29. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (If negative, enter zero.)** | = | |

*Do not include the student's home.

**To calculate the EFC for less than 9-month enrollment, see the next page. If the student is enrolled for more than 9 months, use the 9-month EFC (line 29 above).

**NOTE:** *Use this additional page to prorate the EFC only if the student will be enrolled for less than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford/Ford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

**REGULAR WORKSHEET Page 2** **B**

**Calculation of Expected Family Contribution for a Student Enrolled for Less Than 9 Months**

| | | |
|---|---|---|
| **Expected Family Contribution**<br>**(standard contribution for 9-month enrollment, from line 29)** | | |
| **Divide by 9** | ÷ | 9 |
| **Expected Family Contribution per month** | = | |
| **Multiply by number of months of enrollment** | X | |
| **Expected Family Contribution for less than 9-month enrollment*** | = | |

***Substitute the student's EFC for less than 9-month enrollment in place of the EFC for the standard 9-month enrollment (Worksheet B, line 29).**

# 2001-02 EFC FORMULA B: INDEPENDENT STUDENT
## Without Dependent(s) Other Than A Spouse

**SIMPLIFIED WORKSHEET Page 1** **B**

### STUDENT/SPOUSE INCOME IN 2000

| | | |
|---|---|---|
| 1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #39) (If negative, enter zero.) | | |
| 2. a. Student's income earned from work (FAFSA/SAR #42) | ______ | |
| 2. b. Spouse's income earned from work (FAFSA/SAR #43) | + ______ | |
| Total student/spouse income earned from work | = 2. | |
| 3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.) | | |
| 4. Untaxed income and benefits: | | |
| • Total from FAFSA Worksheet A (FAFSA/SAR #44) | ______ | |
| • Total from FAFSA Worksheet B (FAFSA/SAR #45) | + ______ | |
| Total untaxed income and benefits | = 4. | |
| 5. Taxable and untaxed income (sum of line 3 and line 4) | | |
| 6. Total from FAFSA Worksheet C (FAFSA/SAR #46) | - | |
| 7. TOTAL INCOME (line 5 minus line 6) May be a negative number. | = | |

### ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

| | | |
|---|---|---|
| 8. 2000 U.S. income tax paid (FAFSA/SAR #40) (tax filers only); if negative, enter zero. | | |
| 9. State and other tax allowance (Table B1. If negative, enter zero.) | + | |
| 10. Student's Social Security tax (Table B2) | + | |
| 11. Spouse's Social Security tax (Table B2) | + | |

12. Income protection allowance:

- $5,110 for unmarried or separated student;
- $5,110 for married student if both student & spouse are enrolled at least 1/2 time;
- $8,180 for married student if only the student is enrolled at least 1/2 time. + ☐

13. Employment expense allowance:

- If student is not married or is separated, the allowance is zero.
- If student is married but only one person is working (the student or spouse), the allowance is zero.
- If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or $2,900, whichever is less. + ☐

14. TOTAL ALLOWANCES =

### CONTRIBUTION FROM AVAILABLE INCOME

| | | |
|---|---|---|
| Total income (from line 7) | | |
| Total allowances (from line 14) | - | |
| 15. AVAILABLE INCOME (AI) | = | |
| 16. Assessment rate | X | .50 |
| 17. CONTRIBUTION FROM AI May be a negative number. | = | |

| | | |
|---|---|---|
| 18. Net worth of investments* (FAFSA/SAR #47) If negative, enter zero. | | |
| 19. Net worth of business and/or investment farm (FAFSA/SAR #48) If negative, enter zero. ☐ | | |
| 20. Adjusted net worth of business/farm (Calculate using Table B3.) | + | |
| 21. Cash, savings, & checking (FAFSA/SAR #49) | + | |
| 22. Net worth (sum of lines 18, 20, and 21) | = | |
| 23. Asset protection allowance (Table B4) | - | |
| 24. Discretionary net worth (line 22 minus line 23) | = | |
| 25. Asset conversion rate | X | .35 |
| 26. CONTRIBUTION FROM ASSETS If negative, enter zero. | | |

### EXPECTED FAMILY CONTRIBUTION

| | | |
|---|---|---|
| Contribution from AI (from line 17) May be a negative number. | | |
| Contribution from assets (from line 26) | + | |
| 27. Contribution from AI and assets | = | |
| 28. Number in college in 2001-02 (FAFSA/SAR #65) | ÷ | |
| 29. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (If negative, enter zero.)** | = | |

*Do not include the student's home.

**To calculate the EFC for less than 9-month enrollment, see the next page. If the student is enrolled for more than 9 months, use the 9-month EFC (line 29 above).

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**NOTE:** *Use this additional page to prorate the EFC only if the student will be enrolled for less than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford/Ford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

**SIMPLIFIED WORKSHEET Page 2** **B**

### Calculation of Expected Family Contribution for a Student Enrolled for Less Than 9 Months

| | | |
|---|---|---|
| **Expected Family Contribution**<br>**(standard contribution for 9-month enrollment, from line 29)** | | |
| **Divide by 9** | ÷ | 9 |
| **Expected Family Contribution per month** | = | |
| **Multiply by number of months of enrollment** | X | |
| **Expected Family Contribution for less than 9-month enrollment*** | = | |

---

***Substitute the student's EFC for less than 9-month enrollment in place of the EFC for the standard 9-month enrollment (Worksheet B, line 29).**

## Table B1: State and Other Tax Allowance

| | |
|---|---|
| Alabama | 3% |
| Alaska | 0% |
| American Samoa | 2% |
| Arizona | 3% |
| Arkansas | 4% |
| California | 5% |
| Canada | 2% |
| Colorado | 4% |
| Connecticut | 2% |
| Delaware | 5% |
| District of Columbia | 7% |
| Federated States of Micronesia | 2% |
| Florida | 1% |
| Georgia | 4% |
| Guam | 2% |
| Hawaii | 6% |
| Idaho | 5% |
| Illinois | 2% |
| Indiana | 4% |
| Iowa | 5% |
| Kansas | 4% |
| Kentucky | 5% |
| Louisiana | 2% |
| Maine | 5% |
| Marshall Islands | 2% |
| Maryland | 6% |
| Massachusetts | 5% |
| Mexico | 2% |
| Michigan | 4% |
| Minnesota | 6% |
| Mississippi | 3% |
| Missouri | 3% |
| Montana | 5% |
| Nebraska | 4% |
| Nevada | 0% |
| New Hampshire | 1% |
| New Jersey | 3% |
| New Mexico | 4% |
| New York | 7% |
| North Carolina | 5% |
| North Dakota | 2% |
| Northern Mariana Islands | 2% |
| Ohio | 5% |
| Oklahoma | 4% |
| Oregon | 6% |
| Palau | 2% |
| Pennsylvania | 3% |
| Puerto Rico | 2% |
| Rhode Island | 4% |
| South Carolina | 5% |
| South Dakota | 0% |
| Tennessee | 0% |
| Texas | 0% |
| Utah | 5% |
| Vermont | 4% |
| Virgin Islands | 2% |
| Virginia | 4% |
| Washington | 0% |
| West Virginia | 4% |
| Wisconsin | 5% |
| Wyoming | 0% |
| Blank or Invalid State | 2% |
| OTHER | 2% |

Multiply the total income of student and spouse (EFC Formula Worksheet B, line 7) by the appropriate rate from the table above to get the "state and other tax allowance" (line 9 of Worksheet B). Use the student's *state of legal residence* (FAFSA/SAR #24) reported on the FAFSA. If this item is blank or invalid, use the *state* in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use rate for blank or invalid state above.

## Table B2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

| Income Earned from Work* | Social Security Tax |
|---|---|
| $0 - $76,200 | 7.65% of income |
| $76,201 or greater | $5,829.30 + 1.45% of amount over $76,200 |

*Student's 2000 income earned from work is FAFSA/SAR #42.
Spouse's 2000 income earned from work is FAFSA/SAR #43.
Social Security tax will never be less than zero.

## Table B3: Business/Farm Net Worth Adjustment

| If the net worth of a business or farm is— | Then the adjusted net worth is— |
|---|---|
| Less than $1 | $0 |
| $1 to $90,000 | 40% of net worth of business/farm |
| $90,001 to $275,000 | $ 36,000 + 50% of excess over $90,000 |
| $275,001 to $455,000 | $128,500 + 60% of excess over $275,000 |
| $455,001 or more | $236,500 + 100% of excess over $455,000 |

## Table B4
## Asset Protection Allowance

| Age of student as of 12/31/01* | Allowance for— |  |
|---|---|---|
|  | Married Student | Unmarried Student |
| 25 or less.. | 0 | 0 |
| 26 ............ | 2,500 | 1,500 |
| 27 ............ | 5,000 | 2,900 |
| 28 ............ | 7,500 | 4,400 |
| 29 ............ | 10,000 | 5,800 |
| 30 ............ | 12,500 | 7,300 |
| 31 ............ | 15,000 | 8,800 |
| 32 ............ | 17,500 | 10,200 |
| 33 ............ | 19,900 | 11,700 |
| 34 ............ | 22,400 | 13,100 |
| 35 ............ | 24,900 | 14,600 |
| 36 ............ | 27,400 | 16,100 |
| 37 ............ | 29,900 | 17,500 |
| 38 ............ | 32,400 | 19,000 |
| 39 ............ | 34,900 | 20,400 |
| 40 ............ | 37,400 | 21,900 |
| 41 ............ | 38,400 | 22,300 |
| 42 ............ | 39,300 | 22,800 |
| 43 ............ | 40,300 | 23,300 |
| 44 ............ | 41,400 | 23,800 |
| 45 ............ | 42,400 | 24,400 |
| 46 ............ | 43,500 | 24,900 |
| 47 ............ | 44,600 | 25,500 |
| 48 ............ | 45,700 | 26,100 |
| 49 ............ | 46,800 | 26,700 |
| 50 ............ | 48,300 | 27,200 |
| 51 ............ | 49,500 | 27,900 |
| 52 ............ | 50,800 | 28,600 |
| 53 ............ | 52,300 | 29,400 |
| 54 ............ | 53,600 | 30,100 |
| 55 ............ | 55,300 | 30,800 |
| 56 ............ | 56,900 | 31,500 |
| 57 ............ | 58,700 | 32,400 |
| 58 ............ | 60,400 | 33,200 |
| 59 ............ | 62,200 | 34,200 |
| 60 ............ | 64,100 | 35,000 |
| 61 ............ | 66,000 | 36,000 |
| 62 ............ | 68,300 | 37,000 |
| 63 ............ | 70,600 | 38,000 |
| 64 ............ | 72,700 | 39,100 |
| 65 or more | 75,100 | 40,400 |

*Determine student's age as of 12/31/01 from student's date of birth (FAFSA/SAR #9)

**Formula for independent student with dependents other than a spouse**

- → **Available income**
- **Contribution from Assets**
- **Calculation of the student's EFC**

## FORMULA C — INDEPENDENT STUDENT WITH DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student with dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA. The formula is almost the same as the formula for the parents of a dependent student. There are three basic steps. First, the student's available income is determined. Then, the student's contribution from assets is calculated. Finally, the EFC is calculated using the available income, the contribution from assets, and the number in college.

At the end of this section are worksheets and tables that can be used to calculate the EFC for an independent student without dependents other than a spouse. For those items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are greyed out.

### *Available Income*

Available income is calculated by subtracting certain allowances from the student's total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

▼ *Student's total income.* The student's total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see the *Application and Verification Guide* for more information on these exclusions). If the student and spouse are taxfilers, AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not taxfilers, the calculation uses reported income earned from work. Note that "earned income credit" is included as part of total untaxed income and benefits only if the student and spouse are taxfilers. Total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding the following:

- **U.S. Income tax paid.** Use the amount reported on the FAFSA. Non-taxfilers don't receive this allowance. If this is a negative amount, it is set to zero.

- **State and other tax allowance.** Use Table C1. This allowance is a percentage of the total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the total income is below $15,000 or is $15,000 or more. The state to be used is the student's state of legal residence reported on the FAFSA. If this item is blank or invalid, the state in the student's

**Formula for independent student with dependents other than a spouse**

- **Available income**
- → **Contribution from Assets**
- **Calculation of the student's EFC**

mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (4% for total income below $15,000; 3% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table C2 to the student's income earned from work and the spouse's income earned from work in 2000 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.

- **Income protection allowance.** Use Table C3. This allowance is a provision for the basic living expenses of a family. The allowance varies according to the number in the student's household and the number in college in 2001-2002, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").

- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35% of the lesser of the student's income earned from work (question 42) or the spouse's income earned from work (question 43), but may not exceed $2,900. If the student isn't married, the allowance is 35% of the student's income earned from work, or $2,900, whichever is less. If a student is married and only the student *or* the spouse (but not both) reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

### *Contribution from Assets*

In the full formula, the assets of an independent student with dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs. The formula evaluates the family's asset situation and determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strengths. In the simplified formula, the assets aren't counted at all.

First, the net worth of a student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or

**Formula for independent student with dependents other than a spouse**

- Available Income
- Contribution from Assets
- → Calculation of the student's EFC

farm is adjusted to protect a portion of these assets. Use Table C4 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table C5) from the net worth. The allowance increases with the age of the student as of December 31, 2001, which may be determined from the student's date of birth (as reported on the FAFSA). This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to obtain the **contribution from assets,** which represents the portion of the value of the student and spouse's assets that may be considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

### *Calculation of Student's EFC*

This is the final step in determining the EFC for the independent student with dependents other than a spouse. The available income and the contribution from assets are added together to obtain the adjusted available income. The adjusted available income can be a negative number. The total contribution from adjusted available income is calculated from using Table C6. This is the total amount the student's family is expected to contribute toward family postsecondary educational costs. The rates in Table C6 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. The larger the income, the easier it is for a family to contribute toward postsecondary educational costs with less effect on the maintenance of the family.

The EFC is calculated by dividing the total student's contribution from adjusted available income by the number in college in 2001-2002, as reported on the FAFSA. The result is the EFC for the 2001-2002 award period.

### *Alternate EFCs for other than 9-month enrollment*

The standard EFC is for a 9-month enrollment period. If the student will be enrolled for less than 9 months, the EFC is simply prorated by dividing it by 9 and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than 9 months, however, the EFC will now remain at the 9-month amount.

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# Allen and Eddy:

## Independent students w/ dependents

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### Total Income

*Allen is married and has two children. He reports an AGI of $55,000 on the FAFSA. His income earned from work is $15,000 and his wife's income earned from work is $40,000. He also listed $1,000 in untaxed income on the FAFSA in question 45. His total taxable and untaxed income is $56,000. He reported no exclusions on the FAFSA in question 46; therefore, his total income is $56,000.*

*Eddy is an independent student. He and his wife are separated, but his nephew Chavo is his dependent. He reported an AGI of $33,000 on the FAFSA, and also reported income earned from work of $12,500. He listed no untaxed income and no exclusions, so his total income is $33,000. However, Eddy's application is selected for verification. When Guerrero University receives Eddy's tax form, it discovers that the AGI Eddy reported included his wife's income. Guerrero determines that Eddy should have reported an AGI of $12,950. He still has no untaxed income or exclusions, so when he makes the correction his total income will be $12,950.*

---

### Allowance and Available Income

*Allen reported on the FAFSA that he paid $5,569 in U.S. income tax. He lives in New York, so the percentage he uses for calculating state and local taxes is 10%. His allowance for state and local taxes is $56,000 x 10%=$5,600. His Social Security tax allowance is $15,000 x 7.65%=$1,148; his wife's Social Security tax allowance is $40,000 x 7.65%=$3,060. He reported a household size of four, with one household member in college, so his income protection allowance is $19,630. His employment expense allowance is $2,900, because 35% of his income (the lower of the two) is $5,250. Therefore, the total allowances used in calculating Allen's EFC are $37,901. His available income is $18,093.*

*Eddy reported $1,864 U.S. income tax paid on the FAFSA. He lives in Florida, so the percentage he uses for calculating state and local taxes is 3%. His allowance for state and local taxes is $33,000 x 3% = $990. His Social Security tax allowance is $12,500 x 7.65%=$956. His household size is two, with two in college, so his income protection allowance is $10,580. Because he's not married, his employment expense allowance is $2,900 (35% of his income earned from work is $4,375). The total allowances used in calculating Eddy's EFC on his original application are $17,290, and his available income is $15,710. In verifying Eddy's application, Guerrero discovers that the amount Eddy reported for taxes paid included tax on his wife's income. Because they're separated, he should only have included his own part of the U.S. income tax paid, which was $197. Also, when he makes the income correction, his allowance for state and local taxes will be $12,950 x 4% = $518. The other allowances are still the same, so his total allowances when he makes the correction will be $15,151, and his available income will be -$2,201.*

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## Contribution from Assets

*Allen reported $4,000 for cash, savings, and checking on the FAFSA. He also reported $15,000 for the net worth of investments. His net worth is $19,000. Allen is 32, so his asset protection allowance is $17,500. His discretionary net worth is $19,000 - $17,500 = $1,500. Multiplying this by the conversion rate of 12%, his contribution from assets is $180.*

*Eddy reported $100 for cash, savings, and checking on the FAFSA. He reported no other assets. His net worth is $100. Eddy is 28, so his asset protection allowance is $4,400. His discretionary net worth is $100 - $4,400 = -$4,300. Multiplying this by the conversion rate of 12% produces a negative number, so Eddy's contribution from assets is zero. Eddy qualifies for the simplified formula, but the secondary EFC he gets will be the same as the primary EFC.*

## EFC Calculation

*Allen's available income is $18,903 and his contribution from assets is $180, so his adjusted available income is $18,273. The total contribution from adjusted available income is $4,074 + ($1,073 x 34%)=$4,439. Because the number of household members in college is one, Allen's EFC is also 4,439.*

*Eddy's available income from his original application $15,710, and his contribution from assets is zero. His adjusted available income is $15,710. The total contribution from adjusted available income is $3,233 + ($1,410 x 29%) = $3,642. Because there are two household members in college, the total contribution from adjusted available income is divided by two to produce the EFC, so Eddy's EFC is 1,821. After he fixes the problems discovered through verification, his available income is -$2,201. His contribution from assets is still zero, so his adjusted available income is -$2,201. According to Table C6, Eddy's total contribution from adjusted available income is -$2,201 x 22% = -$598. Because this amount is negative, the total contribution from adjusted available income is set to zero. Dividing this by two results in an EFC of zero.*

# 2001-02 EFC FORMULA C : INDEPENDENT STUDENT
## With Dependent(s) Other Than A Spouse

REGULAR
WORKSHEET
Page 1
C

| STUDENT/SPOUSE INCOME IN 2000 | |
|---|---|
| 1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #39) (If negative, enter zero.) | |
| 2. a. Student's income earned from work (FAFSA/SAR #42) ______ | ▨ |
| 2. b. Spouse's income earned from work (FAFSA/SAR #43) + ______ | ▨ |
| Total student/spouse income earned from work = 2. | |
| 3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)* | |
| 4. Untaxed income and benefits: | ▨ |
| • Total from FAFSA Worksheet A (FAFSA/SAR #44) ______ | ▨ |
| • Total from FAFSA Worksheet B (FAFSA/SAR #45) + ______ | ▨ |
| Total untaxed income and benefits = 4. | |
| 5. Taxable and untaxed income (sum of line 3 and line 4) | |
| 6. Total from FAFSA Worksheet C (FAFSA/SAR #46) - | |
| 7. TOTAL INCOME (line 5 minus line 6) May be a negative number. = | |

| ALLOWANCES AGAINST STUDENT/SPOUSE INCOME | |
|---|---|
| 8. 2000 U.S. income tax paid (FAFSA/SAR #40) (tax filers only); if negative, enter zero. | |
| 9. State and other tax allowance (Table C1. If negative, enter zero.) + | |
| 10. Student's Social Security tax (Table C2) + | |
| 11. Spouse's Social Security tax (Table C2) + | |
| 12. Income protection allowance (Table C3) + | |
| 13. Employment expense allowance: | ▨ |
| • Student and spouse both working: 35% of the lesser of the earned incomes, or $2,900, whichever is less | ▨ |
| • One-parent families: 35% of earned income, or $2,900, whichever is less | ▨ |
| • Student or spouse working (not both): zero + | |
| 14. TOTAL ALLOWANCES = | |

| AVAILABLE INCOME | |
|---|---|
| Total income (from line 7) | |
| Total allowances (from line 14) - | |
| 15. AVAILABLE INCOME (AI) May be a negative number. = | |

| STUDENT/SPOUSE CONTRIBUTION FROM ASSETS | | |
|---|---|---|
| 16. Net worth of investments** (FAFSA/SAR #47) If negative, enter zero. | | |
| 17. Net worth of business and/or investment farm (FAFSA/SAR #48) If negative, enter zero. | | ▨ |
| 18. Adjusted net worth of business/farm (Calculate using Table C4.) | + | |
| 19. Cash, savings, & checking (FAFSA/SAR #49) | + | |
| 20. Net worth (sum of lines 16, 18, and 19) | = | |
| 21. Asset protection allowance (Table C5) | - | |
| 22. Discretionary net worth (line 20 minus line 21) | = | |
| 23. Asset conversion rate | X | .12 |
| 24. CONTRIBUTION FROM ASSETS If negative, enter zero. | | |

| EXPECTED FAMILY CONTRIBUTION | |
|---|---|
| Available income (AI) (from line 15) | |
| Contribution from assets (from line 24) + | |
| 25. Adjusted Available Income (AAI) May be a negative number. = | |
| 26. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.) | |
| 27. Number in college in 2001-02 (FAFSA/SAR #65) ÷ | |
| 28. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (If negative, enter zero.)*** | |

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*STOP HERE if both of the following are true: line 3 is $13,000 or less, and the student and spouse are eligible to file a 2000 IRS Form 1040A or 1040EZ (they are not required to file a 2000 Form 1040), or they are not required to file any income tax return. Under these circumstances, the student's EFC is zero.

**Do not include the student's home.

***To calculate the EFC for less than 9-month enrollment, see the next page. If the student is enrolled for more than 9 months, use the 9-month EFC (line 28 above).

**NOTE:** *Use this additional page to prorate the EFC only if the student will be enrolled for less than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford/Ford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

**REGULAR WORKSHEET**
**Page 2**
**C**

## Calculation of Expected Family Contribution for a Student Enrolled for Less Than 9 Months

| | | |
|---|---|---|
| **Expected Family Contribution**<br>**(standard contribution for 9-month enrollment, from line 28)** | | |
| **Divide by 9** | ÷ | 9 |
| **Expected Family Contribution per month** | = | |
| **Multiply by number of months of enrollment** | X | |
| **Expected Family Contribution for less than 9-month enrollment*** | = | |

*Substitute the student's EFC for less than 9-month enrollment in place of the EFC for the standard 9-month enrollment (Worksheet B, line 28).

# 2001-02 EFC FORMULA C: INDEPENDENT STUDENT
## With Dependent(s) Other Than A Spouse

SIMPLIFIED WORKSHEET Page 1 **C**

### STUDENT/SPOUSE INCOME IN 2000

| | |
|---|---|
| 1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #39) (If negative, enter zero.) | |
| 2. a. Student's income earned from work (FAFSA/SAR #42) ______ | ▨ |
| 2. b. Spouse's income earned from work (FAFSA/SAR #43) + ______ | ▨ |
| Total student/spouse income earned from work = 2. | |
| 3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)* | |
| 4. Untaxed income and benefits: | ▨ |
| • Total from FAFSA Worksheet A (FAFSA/SAR #44) ______ | ▨ |
| • Total from FAFSA Worksheet B (FAFSA/SAR #45) + ______ | ▨ |
| Total untaxed income and benefits = 4. | |
| 5. Taxable and untaxed income (sum of line 3 and line 4) | |
| 6. Total from FAFSA Worksheet C (FAFSA/SAR #46) − | |
| 7. TOTAL INCOME (line 5 minus line 6) May be a negative number. = | |

### ALLOWANCES AGAINST STUDENT/SPOUSE INCOME

| | |
|---|---|
| 8. 2000 U.S. income tax paid (FAFSA/SAR #40) (tax filers only); if negative, enter zero. | |
| 9. State and other tax allowance (Table C1. If negative, enter zero.) + | |
| 10. Student's Social Security tax (Table C2) + | |
| 11. Spouse's Social Security tax (Table C2) + | |
| 12. Income protection allowance (Table C3) + | |
| 13. Employment expense allowance:<br>• Student and spouse both working: 35% of the lesser of the earned incomes, or $2,900, whichever is less<br>• One-parent families: 35% of earned income, or $2,900, whichever is less | ▨ |
| • Student or spouse working (not both): zero + | |
| 14. TOTAL ALLOWANCES = | |

### AVAILABLE INCOME

| | |
|---|---|
| Total income (from line 7) | |
| Total allowances (from line 14) − | |
| 15. AVAILABLE INCOME (AI) May be a negative number. = | |

*STOP HERE if both of the following are true: line 3 is $13,000 or less, and the student and spouse are eligible to file a 2000 IRS Form 1040A or 1040EZ (they are not required to file a 2000 Form 1040), or they are not required to file any income tax return. Under these circumstances, the student's EFC is zero.

| | |
|---|---|
| 16. Net worth of investments** (FAFSA/SAR #47) If negative, enter zero. | |
| 17. Net worth of business and/or investment farm (FAFSA/SAR #48) If negative, enter zero. | |
| 18. Adjusted net worth of business/farm (Calculate using Table C4.) + | |
| 19. Cash, savings, & checking (FAFSA/SAR #49) + | |
| 20. Net worth (sum of lines 16, 18, and 19) = | |
| 21. Asset protection allowance (Table C5) − | |
| 22. Discretionary net worth (line 20 minus line 21) = | |
| 23. Asset conversion rate X | .12 |
| 24. CONTRIBUTION FROM ASSETS If negative, enter zero. | |

### EXPECTED FAMILY CONTRIBUTION

| | |
|---|---|
| Available income (AI) (from line 15) | |
| Contribution from assets (from line 24) + | |
| 25. Adjusted available income (AAI) May be a negative number. = | |
| 26. Total contribution from AAI (Calculate using Table C6; if negative, enter zero.) | |
| 27. Number in college in 2001-02 (FAFSA/SAR #65) ÷ | |
| 28. EXPECTED FAMILY CONTRIBUTION for 9-month enrollment (If negative, enter zero.)*** | |

**Do not include the student's home.

***To calculate the EFC for less than 9-month enrollment, see the next page. If the student is enrolled for more than 9 months, use the 9-month EFC (line 28 above).

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**NOTE:** *Use this additional page to prorate the EFC only if the student will be enrolled for less than 9 months and only to determine the student's need for campus-based aid, a subsidized Federal Stafford Loan, or a subsidized Federal Direct Stafford/Ford Loan. Do not use this page to prorate the EFC for a Federal Pell Grant. The EFC for the Federal Pell Grant Program is the 9-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

## Calculation of Expected Family Contribution for a Student Enrolled for Less Than 9 Months

| | | |
|---|---|---|
| **Expected Family Contribution**<br>**(standard contribution for 9-month enrollment, from line 28)** | | |
| **Divide by 9** | ÷ | 9 |
| **Expected Family Contribution per month** | = | |
| **Multiply by number of months enrollment** | X | |
| **Expected Family Contribution for less than 9-month enrollment*** | = | |

*Substitute the student's EFC for less than 9-month enrollment in place of the EFC for the standard 9-month enrollment (Worksheet B, line 28).

## Table C1: State and Other Tax Allowance

| STATE | PERCENT OF TOTAL INCOME | |
|---|---|---|
| | $0-14,999 | $15,000 or more |
| Alabama | 5% | 4% |
| Alaska | 3% | 2% |
| American Samoa | 4% | 3% |
| Arizona | 6% | 5% |
| Arkansas | 6% | 5% |
| California | 8% | 7% |
| Canada | 4% | 3% |
| Colorado | 7% | 6% |
| Connecticut | 6% | 5% |
| Delaware | 8% | 7% |
| District of Columbia | 10% | 9% |
| Federated States of Micronesia | 4% | 3% |
| Florida | 4% | 3% |
| Georgia | 7% | 6% |
| Guam | 4% | 3% |
| Hawaii | 8% | 7% |
| Idaho | 7% | 6% |
| Illinois | 6% | 5% |
| Indiana | 6% | 5% |
| Iowa | 8% | 7% |
| Kansas | 7% | 6% |
| Kentucky | 7% | 6% |
| Louisiana | 4% | 3% |
| Maine | 9% | 8% |
| Marshall Islands | 4% | 3% |
| Maryland | 9% | 8% |
| Massachusetts | 9% | 8% |
| Mexico | 4% | 3% |
| Michigan | 9% | 8% |
| Minnesota | 9% | 8% |
| Mississippi | 5% | 4% |
| Missouri | 6% | 5% |
| Montana | 8% | 7% |
| Nebraska | 8% | 7% |
| Nevada | 3% | 2% |
| New Hampshire | 7% | 6% |
| New Jersey | 8% | 7% |
| New Mexico | 6% | 5% |
| New York | 11% | 10% |
| North Carolina | 8% | 7% |
| North Dakota | 6% | 5% |
| Northern Mariana Islands | 4% | 3% |
| Ohio | 8% | 7% |
| Oklahoma | 6% | 5% |
| Oregon | 10% | 9% |
| Palau | 4% | 3% |
| Pennsylvania | 7% | 6% |
| Puerto Rico | 4% | 3% |
| Rhode Island | 9% | 8% |
| South Carolina | 8% | 7% |
| South Dakota | 4% | 3% |
| Tennessee | 3% | 2% |
| Texas | 3% | 2% |
| Utah | 8% | 7% |
| Vermont | 8% | 7% |
| Virgin Islands | 4% | 3% |
| Virginia | 8% | 7% |
| Washington | 4% | 3% |
| West Virginia | 6% | 5% |
| Wisconsin | 10% | 9% |
| Wyoming | 3% | 2% |
| Blank or Invalid State | 4% | 3% |
| OTHER | 4% | 3% |

Multiply the total income of student and spouse (from EFC Formula Worksheet C, line 7) by the appropriate rate from the table above to get the "state and other tax allowance." Use the student's *state of legal residence* (FAFSA/SAR #24) reported on the FAFSA. If this item is blank or invalid, use the *state* in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for blank or invalid state above.

## Table C2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

| Income Earned from Work* | Social Security Tax |
|---|---|
| $0 - $76,200 | 7.65% of income |
| $76,201 or greater | $5,829.30 + 1.45% of amount over $76,200 |

*Student's 2000 income earned from work is FAFSA/SAR #42.
Spouse's 2000 income earned from work is FAFSA/SAR #43.
Social Security tax will never be less than zero.

## Table C3: Income Protection Allowance

| Number in student's household, including student (FAFSA/SAR #84) | Number of college students in household (FAFSA/SAR #85) | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 2 .......... | $12,760 | $10,580 | —— | —— | —— |
| 3 .......... | 15,890 | 13,720 | $11,540 | —— | —— |
| 4 .......... | 19,630 | 17,440 | 15,270 | $13,090 | —— |
| 5 .......... | 23,160 | 20,970 | 18,800 | 16,620 | $14,450 |
| 6 .......... | 27,090 | 24,900 | 22,730 | 20,550 | 18,380 |

NOTE: For each additional family member, add $3,060.
For each additional college student, subtract $2,170.

## Table C4: Business/Farm Net Worth Adjustment

| If the net worth of a business or farm is— | Then the adjusted net worth is— |
|---|---|
| Less than $1 | $0 |
| $1 to $90,000 | 40% of net worth of business/farm |
| $90,001 to $275,000 | $ 36,000 + 50% of excess over $90,000 |
| $275,001 to $455,000 | $128,500 + 60% of excess over $275,000 |
| $455,001 or more | $236,500 + 100% of excess over $455,000 |

## Table C5: Asset Protection Allowance

| Age of student as of 12/31/01* | Allowance for— Married Student | Unmarried Student | Age of student as of 12/31/01* | Allowance for— Married Student | Unmarried Student |
|---|---|---|---|---|---|
| 25 or less.. | 0 | 0 | 45 ............ | 42,400 | 24,400 |
| 26 ............ | 2,500 | 1,500 | 46 ............ | 43,500 | 24,900 |
| 27 ............ | 5,000 | 2,900 | 47 ............ | 44,600 | 25,500 |
| 28 ............ | 7,500 | 4,400 | 48 ............ | 45,700 | 26,100 |
| 29 ............ | 10,000 | 5,800 | 49 ............ | 46,800 | 26,700 |
| 30 ............ | 12,500 | 7,300 | 50 ............ | 48,300 | 27,200 |
| 31 ............ | 15,000 | 8,800 | 51 ............ | 49,500 | 27,900 |
| 32 ............ | 17,500 | 10,200 | 52 ............ | 50,800 | 28,600 |
| 33 ............ | 19,900 | 11,700 | 53 ............ | 52,300 | 29,400 |
| 34 ............ | 22,400 | 13,100 | 54 ............ | 53,600 | 30,100 |
| 35 ............ | 24,900 | 14,600 | 55 ............ | 55,300 | 30,800 |
| 36 ............ | 27,400 | 16,100 | 56 ............ | 56,900 | 31,500 |
| 37 ............ | 29,900 | 17,500 | 57 ............ | 58,700 | 32,400 |
| 38 ............ | 32,400 | 19,000 | 58 ............ | 60,400 | 33,200 |
| 39 ............ | 34,900 | 20,400 | 59 ............ | 62,200 | 34,200 |
| 40 ............ | 37,400 | 21,900 | 60 ............ | 64,100 | 35,000 |
| 41 ............ | 38,400 | 22,300 | 61 ............ | 66,000 | 36,000 |
| 42 ............ | 39,300 | 22,800 | 62 ............ | 68,300 | 37,000 |
| 43 ............ | 40,300 | 23,300 | 63 ............ | 70,600 | 38,000 |
| 44 ............ | 41,400 | 23,800 | 64 ............ | 72,700 | 39,100 |
| | | | 65 or more | 75,100 | 40,400 |

*Determine student's age as of 12/31/01 from student's date of birth (FAFSA/SAR #9)

## Table C6: Contribution From AAI

| If student's AAI is— | The student's contribution from AAI is— |
|---|---|
| -$3,410 or less | -$750 |
| -$3,409 to $11,400 | 22% of AAI |
| $11,401 to $14,300 | $2,508 + 25% of AAI over $11,400 |
| $14,301 to $17,200 | $3,233 + 29% of AAI over $14,300 |
| $17,201 to $20,100 | $4,074 + 34% of AAI over $17,200 |
| $20,101 to $23,000 | $5,060 + 40% of AAI over $20,100 |
| $23,001 or more | $6,220 + 47% of AAI over $23,000 |

CHAPTER 7

# Financial Need and Packaging

*Once the school has the necessary information from the Department, it determines the student's financial need and packages the student's aid. In this chapter, we discuss how financial need is determined, and some factors schools must keep in mind when packaging federal aid.*

## FINANCIAL NEED

A student must have financial need to receive all SFA funds except for unsubsidized Stafford and PLUS loans under the Direct Loan and FFEL programs. Unlike scholarship programs that may award funds based on academic merit or based on the student's field of study, SFA aid awards are based on the family's need for assistance.

**Financial Need =**

**Cost of Attendance**
- **EFC**
- **Resources/estimated financial assistance**

Financial need is simply defined as the difference between the student's cost of attendance and the family's ability to pay these costs, the EFC. For programs other than the Pell Grant Program, other aid the student receives, known as *resources* under the Campus-based programs or as *estimated financial assistance* under the Stafford programs, is also subtracted from the cost of attendance to determine financial need.

If the EFC is less than the cost of attendance (in other words, if the student's family cannot be expected to contribute the full costs faced), the student is considered to have financial need. In the case of eligibility for Pell, however, a maximum eligible EFC is determined annually. Although a student whose EFC exceeds the maximum may have financial need, he or she is not eligible for a Pell. For 2001-2002, the maximum EFC that a student can have to qualify for a Pell is 3550. As long as the EFC is less than the cost of attendance, the student will remain eligible for aid from other SFA programs, provided that he or she meets the other eligibility requirements of those programs.

## COST OF ATTENDANCE

The cost of attendance is an estimate of a student's education expenses for the period of enrollment. The total aid the student may receive from the SFA programs and other sources (when added to the student's EFC) can't exceed the student's cost. However, PLUS and unsubsidized Stafford loan amounts may be substituted for the EFC, as described later.

**Cost of Attendance Cite**
*Sec. 472*

**Members of a Religious Order**

*A member of a religious order is not considered to have financial need for purposes of the SFA programs, if the religious order meets certain criteria. Members of any religious order, society, agency, community, or other organization that (1) has as a primary objective the promotion of ideals and beliefs regarding a Supreme Being, and (2) directs the students' courses of study or provides the students with subsistence support, aren't considered to have financial need. Therefore, the members of these religious orders can't receive subsidized Direct Loans, subsidized FFELs, Pells, or campus-based aid. They are eligible, however, for unsubsidized FFELs and unsubsidized Direct Loans.*

*34 CFR 674.9(c), 675.9(c), 676.9(c), 682.301(a)(2), 685.200(a)(2)(ii), 690.75(d)*

The components of the cost of attendance are the same for all SFA programs, as specified in the law. However, in the case of programs of study or enrollment periods that are less than or greater than the school's academic year, the cost for purposes of loans and campus-based aid differs from the cost for the Pell Grant Program. Pell costs are always prorated to the costs for a full-time student for a full academic year, but the cost of attendance for the other programs is based on the student's actual costs for the period for which need is being analyzed. See *Volume 3* for more specifics on the Pell cost of attendance.

### *Components*

A student's cost of attendance generally is the sum of the following:

- **The tuition and fees normally assessed for a student carrying the same academic workload.** This includes costs of rental or purchase of equipment, materials, or supplies required of all students in the same course of study.

- **An allowance for books, supplies, transportation, and miscellaneous personal expenses.** A reasonable allowance (as determined by the school) for the documented rental or purchase of a personal computer can be included as part of this allowance.

- **An allowance for room and board.** For students without dependents living at home with their parents, this will be an allowance that you determine. For students living on-campus, the allowance is the standard amount normally assessed most residents; for those living off-campus but not with their parents, the allowance must be based on reasonable expenses for room and board.

- **For a student with dependents, an allowance for costs expected to be incurred for dependent care.** This covers care during periods that include, but that are not limited to, class time, study time, field work, internships, and commuting time for the student. The amount of the allowance should be based on the number and age of such dependents and should not exceed reasonable cost in the community for the kind of care provided.

- **For study-abroad programs approved for credit by the student's home institution, reasonable costs associated with such study.**

- **For a disabled student, an allowance for expenses related to the student's disability.** These expenses include special services, personal assistance, transportation, equipment, and supplies. Expenses provided for by other agencies aren't included.

- **For students engaged in a work experience through a cooperative education program, an allowance for reasonable costs associated with such employment.**

- **For students receiving SFA loans, the fees required to receive them (for example, the loan fee for a Direct Loan or the origination fee and insurance premium for a FFEL).** You may also include the fees required for nonfederal student loans (that is, nonfederal loans that must be considered resources for the student when packaging aid). In all cases, you can either use the exact loan fees charged to the student or an average of fees charged to borrowers of the same type of loan at your school.

**Disabled Student**

*A student is considered disabled if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually disabled, seriously emotionally disturbed, orthopedically impaired, autistic, has a traumatic brain injury, is otherwise health-impaired, or has specific learning disabilities that require special education and related services.*

### *Exceptions to the normal cost of attendance allowances*

Following are the exceptions to the normal cost of attendance allowances discussed above:

- For students who are enrolled **less than half time**, only the costs for tuition and fees and allowances for books and supplies, transportation (but not miscellaneous expenses), and dependent care expenses may be included as part of the cost of attendance.

- Generally, the cost of attendance for **correspondence study** is restricted to tuition and fees, which often include books and supplies. If the costs of books and supplies are separate, then they may also be counted in the cost of attendance. If the student is fulfilling a required period of residential training, the cost of attendance can also include required books and supplies, an allowance for travel, and room-and-board costs specifically incurred. (As mentioned in Chapter 1 of this volume, a student isn't eligible to receive SFA aid for correspondence courses unless they are a part of an associate-, bachelor's-, or graduate-degree program and unless the school meets the criteria for the percentage of courses taught using this medium.)

- The cost of attendance for **incarcerated students** is limited to tuition and fees and required books and supplies. Remember that an incarcerated student is ineligible for SFA loans; if a student is incarcerated in a federal or state penal institution, he or she is ineligible for Pell (see Chapter 1 of this volume).

- Previously, the cost to rent or purchase equipment was excluded for students receiving **instruction by telecommunications.** However, effective October 1, 1998, there is no such restriction, and the cost of equipment can be included in the cost of attendance; the law specifies that there is no distinction made in the cost of attendance regarding the mode of instruction.

- You have the authority to use **professional judgment** to adjust the cost of attendance on a case-by-case basis to allow for special circumstances. Such adjustments must be documented in the student's file. (See "Professional Judgment" in the *Application and Verification Guide.*)

### *Other factors*

The law specifies the components that are included in the cost of attendance, but you must determine the appropriate amounts. Also, if the student doesn't have some of the normal expenses, you might decide not to include all the components.

▼ *Actual or average costs.* You could use the actual cost for each component for each student, or a cost the average student would pay. For example, for the tuition and fees component, you can use the same amount for all full-time students, instead of figuring the actual tuition and fees for each individual student. You can have different standard costs for different categories of students, such as a cost of attendance for in-state students (who have lower tuition) and a higher cost of attendance for out-of-state students. If a student is enrolled in a program that has extra fees or costs, such as lab fees, you can add those fees to the student's cost or use a standard cost that you've established for all students in that program. If you establish standard cost categories, you must apply the cost allowances uniformly to all students in those categories.

▼ *Costs for periods of other than 9 months.* For the Campus-based, Stafford, and PLUS programs, the cost of attendance for a student covers the period of actual enrollment. Therefore, if the student will be attending for more than 9 months, you can use a higher cost of attendance that includes living expenses, such as room and board, for the longer period of time. If the student will be attending for less than 9 months, you can use a lower cost of attendance. You can choose to prorate the allowances you use for 9 months, or can calculate the cost in any other reasonable way. However, for the Pell Grant Program, you must always use a cost of attendance for 9 months. If you have a cost of attendance for a student that is for a period of other than 9 months, it must be prorated for Pell (see *Volume 3*).

▼ *Tuition and fees not paid by the student.* In some cases, such as under Workforce Investment Act (WIA — formerly JTPA) programs, a student's tuition and fees are paid by another organization or are waived. The basic calculation of COA doesn't change. The only issue is whether the arrangement between the school and the student results in a tuition and fee charge to the student. If the student is charged for the tuition and fees, even if the charge is eventually paid by someone besides the student (e.g., a scholarship agency or other source of aid), then that tuition and fee amount is included in the cost of attendance. The tuition and fees payment would then be counted as a resource and estimated financial assistance. However, if the student is never charged for tuition and fees, then the cost of attendance wouldn't include the tuition and fees component. Some WIA agreements with schools provide that the school can't charge the tuition and fees to the student, even if WIA doesn't cover the costs. If your school is prohibited under such an agreement from charging tuition and fees to the student, then the tuition and fees aren't included in the student's COA.

▼ *Prepaid tuition plans.* As explained in the *Application/Verification Guide*, distributions from *prepaid tuition plans* (cf. *college savings plans* in the same guide) can either reduce the cost of attendance or be counted as a resource and estimated financial assistance. For the FAFSA, the investment value of prepaid tuition plans is not reported as an asset of either the holder or the beneficiary.

▼ *Free room and board.* If a student lives on campus, the student is considered to have entered into a contract with the school for room and board, even if there's no charge to the student. For the purposes of calculating the cost of attendance, you must use the contracted charges for the room and board. If that room and board is supplied at no charge, the room and board component of the COA would equal $0.

The value of room and board provided to an employee should be reported as untaxed income, under housing, food, and other living allowances. It isn't considered financial aid unless the room and board is part of an on-campus job that was awarded on the basis of need. If the room and board results from a job that was awarded on the basis of need, then the value of the room and board would be counted as a resource for campus-based purposes and as estimated financial assistance for Stafford purposes and isn't reported as untaxed income. If the student is charged for the room and board and the charge is then waived, the value of the room and board can be included in the cost of attendance.

### Documentation of exceptional expenses

The law doesn't specify what documentation you must collect for expenses such as dependent care or disability-related expenses. You can document these expenses in any reasonable way, such as documenting an interview with the student or obtaining a written statement from the student, or from other appropriate sources.

**Tuition Prepayment Plan Cite**
*Higher Education Act*
*Sec. 480(j)*

**Free Room and Board Example**

*Guerrero University saves some of its Resident Assistant jobs for students with exceptional financial need. All Resident Assistants receive a waiver of room and board charges; if the student quits the job, the waiver is removed and the student has to pay the room and board charges. All the students have the room and board charge in their cost of attendance. For students who are Resident Assistants because of their financial need, Guerrero counts the room and board waiver as a resource and estimated financial assistance. The other students must report the waiver as untaxed income.*

**Resources Cite**
*34 CFR 673.5(c)*

**Resources**
*Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year. Effective October 1, 1998, Americorps benefits are also considered a resource.*

**Campus-Based Resources Example**
*Andrew's COA is $6,400, and his EFC is 1500. His resources are a $2,300 Pell and a $1,200 outside scholarship. Frisson College can award Andrew a $400 FSEOG and a $1,000 Perkins Loan to fully meet his financial need.*

**Loan and EFC Example**
*In addition to the aid already discussed, Andrew is receiving a $1,500 unsubsidized Stafford Loan. Because this amount doesn't exceed the EFC, the loan isn't considered a resource, so it doesn't reduce the amount of Andrew's need for campus-based funds. However, if Andrew also received a $500 private loan, the $500 would be a resource, because the amount of unsubsidized loans exceeds his EFC by $500.*

## RESOURCES AND ESTIMATED FINANCIAL ASSISTANCE

A basic premise of need-based aid is that the total package of aid must not exceed the student's financial need. Therefore, when awarding aid from the SFA programs, you must take into account other sources of aid (which can include aid from other SFA programs). The different SFA programs account for other sources of aid in different ways.

### *Pell Grants*

Pell Grants are considered to be one of the first sources of aid to the student. The Department issues Pell payment schedules that base the award solely on the student's cost of attendance, EFC, and enrollment status. When awarding other sources of need-based aid, you must take eligibility for Pell into account. But it's possible that the student will receive a scholarship or other aid that, in combination with the Pell, causes the student's financial aid package to exceed his need. In those cases, you can't award additional need-based federal aid. If the student's need is exceeded due to the combination of the Pell and other sources of non-need based aid, the student is still eligible for a Pell Grant based on the payment schedule.

### *Campus-based programs*

In contrast to Pell, you must take all resources into account when awarding Campus-based aid. If the total of the student's EFC, resources, and campus-based aid exceeds the student's cost of attendance, the campus-based aid must be reduced to prevent an overaward. However, note that there are overaward thresholds (discussed later in this chapter and in *Volume 4*) for the campus-based programs.

Unsubsidized Stafford, PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs up to the amount of the EFC without affecting eligibility for Campus-based aid or a subsidized Stafford Loan.

For SFA purposes, veterans education benefits are treated as resources, not as income, and therefore are not reported as income on the FAFSA. Americorps benefits are also considered resources, but you may exclude as a resource a portion of any subsidized direct or FFEL loan that is equal to or less than the amount of the student's Chapter 30 Montgomery GI Bill benefits and/or Americorps benefits paid for the cost of attendance.

Note that the income earned from the Veterans Administration Student Work-Study Allowance Program (VASWSAP) is not treated as a veterans education benefit, so it is not considered a resource. It should be reported as untaxed income (not income earned from work) on the FAFSA.

### *Stafford and PLUS Loans*

"Estimated financial assistance" must be counted when packaging a student's Stafford or PLUS loan. Estimated financial assistance includes most of the same sources of assistance as resources, with two exceptions. Americorps benefits and, as a result of Reauthorization, Chapter 30 Montgomery GI Bill benefits are *not* included in estimated financial assistance when determining eligibility for *subsidized* Stafford loans, but they *are* included for *unsubsidized* Stafford loans.

Before you can certify or originate a Stafford Loan, you must determine the student's eligibility for a Pell. You may use the official EFC from the ISIR to determine Pell eligibility, or calculate the student's EFC using your own software. However, you must have documentation that the student's data went through the CPS (for eligibility matches) before the loan can be disbursed.

You may certify or originate a subsidized Stafford Loan only for the amount of student's financial need—the student's costs minus the student's EFC and estimated financial assistance. As noted previously, the student can also borrow unsubsidized loans beyond his or her need as long as the loan does not exceed the EFC. Note that a student may qualify for a combination of subsidized and unsubsidized loans.

## PACKAGING

Packaging is the process of finding the best combination of aid to meet a student's financial need, given limited resources and given institutional constraints that vary from school to school. Because Pell Grants are limited only by the award amount based on the payment schedule, it's common to think of it as the first aid to be packaged. A subsidized Stafford loan is limited by the student's EFC and estimated financial assistance (as well as by the maximum loan amounts).

The EFC is not part of the need equation for unsubsidized loans. Unsubsidized Stafford loans are only constrained by the maximum loan limits and the difference between costs and estimated financial assistance. There is no maximum loan limit for PLUS loans (unsubsidized loans made to parents of students). PLUS loans are only limited by the student's costs minus estimated financial assistance.

You should consider a number of things when packaging aid, such as: should priority be given to students who apply for aid first (on a "first-come-first-served" basis)? Should grant assistance be awarded to beginning students and should loans and work-study go to students who have had a chance to adapt to the academic program? If there are not enough funds to meet every student's need, should your school policy be to give more assistance to the neediest students? Or should your school meet an equal proportion of each student's need across the board?

**Estimated Financial Assistance Cite**

*Sec. 428(a)(2)(C), 34 CFR 682.200(b)*

**Example: Estimated Financial Assistance**

*Stanislaw's cost of attendance is $7,000; his EFC is 1,500. His estimated financial assistance is a Pell of $2,300, a tuition waiver of $1,000, and a Perkins Loan of $1,500. His total estimated financial assistance is $4,800. Stanislaw is eligible for a maximum subsidized Stafford Loan of $700. This amount is calculated by subtracting the EFC and the other aid received from the COA ($7,000 - $1,500 - $4,800). Because unsubsidized Stafford Loans aren't considered a resource as long as the loan amount does not exceed the EFC, Stanislaw would also be eligible for an additional $1,500 in unsubsidized Stafford Loan funds—the amount equal to the EFC.*

**Subsidized and Unsubsidized Loan Combination Example**

*Lydia is a first year dependent student, so her loan limit is $2,625. She qualifies for a $1,600 Direct Subsidized Loan, and has no remaining need. Her EFC is 4,287 so she can also borrow an additional $1,025 ($2,625 minus $1,600) Direct Unsubsidized Loan. In addition, her parents could borrow $3,262 in PLUS ($1,025 + $3,262 = $4,287).*

The Department provides a Packaging module as part of EDExpress. You can enter information about its programs and factors to be considered in packaging, and then use the software to automate the packaging process. Many schools also use third-party software for this purpose.

### *Vocational rehabilitation funds*

Special considerations in packaging arise when a student qualifies for both SFA funds and for vocational rehabilitation assistance funds. In that case, you should determine the student's package exclusive of both the costs related to the student's disability and anticipated vocational rehabilitation assistance. In this way, the student with disabilities will be offered the same aid package as a student who is in the same financial situation but who doesn't have disabilities; the student with disabilities will also receive the maximum amount of vocational rehabilitation aid to which he or she is entitled.

If, in packaging aid, you were to consider both the disability-related costs and an anticipated vocational rehabilitation aid amount that was less than those costs, the amount of SFA funds in the student's package might be increased to cover the remaining costs. When the vocational rehabilitation agency actually disburses funds, it will take that SFA increase into consideration and disburse only the smaller anticipated amount rather than disbursing enough to cover all of the disability-related costs. The school has covered all of the student's need in both cases: But if the increase in SFA funds in the second case is the result of an increased loan amount, the school has unnecessarily added to the student's debt burden. Although the vocational rehabilitation funds shouldn't be considered a resource when you package aid for the student, you must coordinate funds available from the vocational rehabilitation agency and from institutional, state, and federal student financial assistance programs to prevent an overaward. The amount of assistance from the vocational rehabilitation agency must be documented in the student's file.

Each state association of student financial aid administrators has a voluntary agreement with its state vocational rehabilitation agency; this agreement specifies the procedures for coordinating vocational rehabilitation assistance with other forms of financial aid. For information about your state association's agreement, contact that association or a regional office of the U.S. Department of Education.

### Packaging Example: GI Bill Exclusion

*Penny is a first-year, independent undergraduate student with an EFC of 1800, a Pell Grant of $2,000, and Montgomery GI Bill active duty benefits of $4,200. She enrolls in a four-year program at Frisson College, where her need is $7,700 ($9,500 COA - 1800 EFC). Her assistance from the Pell Grant and GI Bill benefits equals $6,200 ($2,000 + 4,200). The difference between her need and assistance is $1,500 ($7,700 - 6,200).*

*Because the Montgomery GI Bill benefits do not count as estimated financial assistance for subsidized loans, Penny is eligible for a subsidized Stafford in an amount that exceeds $1,500. Her COA minus her EFC and Pell Grant would leave an unmet need of $5,700 ($9,500 - 1800 - 2,000). The maximum subsidized loan amount for a first-year student is $2,625 and is less than Penny's unmet need for subsidized loan purposes, so she may receive a subsidized loan of $2,625. The decision to take out a subsidized loan is Penny's, and the school must follow the statute. In this case, her assistance totals $8,825 ($2,000 + 4,200 + 2,625), which exceeds her need. However, under the statute and regulations this is not considered an overaward or an overpayment.*

*Penny is eligible for campus-based aid if the school chooses to exclude her subsidized loan as a resource. (It can exclude up to the value of the GI Bill benefits from the loan.) Penny's need is $7,700, and her total resources, minus the loan, would be $6,200, which is $1,500 ($7,700 - 6,200) under her need. Therefore the school may provide campus-based aid up to $1,500, for example, $1,000 in FWS funds and $500 in FSEOG funds. In this case, Penny's assistance totals $10,325, which exceeds her need as well as her COA.*

| | |
|---|---|
| 2,000 | Pell Grant |
| 4,200 | GI Bill |
| 2,625 | Stafford |
| 1,000 | FWS |
| 500 | FSEOG |
| 10,325 | Total aid |

*However, under the statute and regulations this is not considered an overaward or an overpayment.*

# Overawards & Overpayments

CHAPTER 8

*An overpayment occurs when the student receives more aid than he or she was eligible to receive. One kind of overpayment, traditionally called overawards, results from changes in the student's aid package. If you can't correct the overaward, or if the student owes a repayment for other reasons, you must take action to recover the SFA funds. Please note that this discussion of overpayments does not include situations where the student was eligible for the payment, but withdrew from school—see Volume 2, Chapter 6 for discussion of the "Return to Title IV programs" requirement.*

## CORRECTING OVERAWARDS

An overaward is created when the student's aid package exceeds the student's need. While you must always take care not to overaward the student when packaging aid, circumstances may change after the aid has been awarded and may result in an overaward. For instance, the student may receive an academic scholarship, or the student may want to extend his or her work-study employment. When these circumstances would lead to an overaward, you may be required to adjust the federal student aid in the package.

### *Pell Grants*

Pell Grants are never adjusted to take into account other forms of aid. If there's an overaward, you must look at other aid that your school controls, and reduce that aid.

### *Stafford Loans*

If you find out that there's going to be an overward before Stafford funds are delivered to the student that the student will receive an overaward, you must take steps to eliminate the overaward. If you have certified or originated the loan, but haven't received the funds, you can have the lender cancel or reduce the loan. As an alternative, you could reduce or cancel aid over which you have control.

If your school has already received the funds, you have a number of options:

- If the package includes an unsubsidized Stafford Loan, Direct Unsubsidized Loan, Direct PLUS Loan, PLUS Loan, or nonfederal loan and the aid package doesn't already apply these loans to finance the EFC, the aid package can be adjusted so that all or some part of these loans replaces the EFC, thus reducing or eliminating the overaward.

**Regulatory Cites**

→ *SFA debts—eliminating overpayments*
*34 CFR 668.35*
→ *Verification—recovery of funds*
*34 CFR 668.61*
→ *Immigration status—recovery of funds*
*34 CFR 668.139*
→ *Campus-based overaward*
*34 CFR 673.5*
→ *FFEL—consequences of failure to establish eligibility*
*34 CFR 682.412*
→ *Direct Loans—ineligible borrowers*
*34 CFR 682.211.*
→ *Pell Grants—overpayments*
*34 CFR 690.79*

**Overaward and unsubsidized loan example**

*Hector's EFC is 4,000. His cost of attendance is $12,000. He is supposed to receive a subsidized Stafford Loan of $5,000 and an unsubsidized Stafford Loan of $3,000, which completely meets his need. Before he receives his first loan disbursement, Guerrero University also gives him a $2,000 scholarship. If Hector's entire loan amount of $8,000 had been subsidized, Guerrero would have to send some of the loan back. However, because part of Hector's loan amount is unsubsidized, Guerrero simply considers that $2,000 of the unsubsidized loan that previously applied to Hector's financial need is now being used to finance his EFC of 4,000.*

**Example: student ineligible for part of disbursement**

*Owen's loan disbursement was $1,000. However, Guerrero discovered after it received the loan funds that Owen also received a private loan, which created an overaward. Guerrero determines that the overaward is $800. Guerrero could return just the $800 or could instead return the entire check and have the lender issue a new check for $200. If Owen were at a Direct Loan school, the school could return just the $800 or return the full disbursement, cancel the loan, and originate a new loan for $200.*

**FWS overaward tolerance**

*In general, there is no overaward tolerance for these loans. However, if a student's financial aid package also contains FWS, there's a $300 overaward tolerance for the loan overaward—you only need to adjust the Stafford Loan if the overaward would exceed $300.*

- The second or subsequent disbursement of a Stafford or Direct Loan can be canceled or reduced. You must inform the lender of the reduced award and request cancellation or reduction of subsequent disbursements.

- If these adjustments have been made and an overaward still exists for a Stafford Loan or Direct Loan borrower, you must withhold and promptly return to the lender or the federal government any funds that have not yet been delivered to the borrower. If the student is determined to be ineligible for the entire loan disbursement and the overaward cannot be reduced or eliminated, you must return the entire loan proceeds. Note that Stafford and Direct Loan overawards must be repaid before adjusting or canceling campus-based funds.

- If the student is ineligible for only a part of the disbursement, you can return the entire undelivered amount or can choose to return only the amount of aid for which the student becomes ineligible. For a Direct Loan, you cancel the loan, return the full disbursement, and originate a new loan for the lower amount. In this case, a new origination record must be created, and a new promissory note must be generated for the student to sign. For a Stafford Loan, a school that returns the entire disbursement then requests a new check for the correct amount. You must provide the lender with a written statement describing why the funds were returned, and the lender must credit to the borrower's account the portion of the insurance premium and origination fee attributable to the amount returned. If you return the entire amount and ask for a new disbursement, the student will pay only for the reduced insurance premium and origination fee (if applicable) attributable to the reduced loan amount. To return only the amount for which the student is ineligible, you must have the student endorse the loan check or, in the case of a loan disbursed by electronic funds transfer (EFT), obtain the student's authorization to release loan funds. You can then credit the student's account for the amount for which the student is eligible and promptly refund to the lender the portion of the disbursement for which the student is ineligible.

The requirement to return overawards does not apply to Stafford Loans made to cover the cost of attendance at foreign schools or to PLUS Loans.

*If the overaward situation occurs after Stafford Loan funds have been delivered,* there is no Stafford Loan overaward. However, you might have to adjust the aid package to prevent an overaward of campus-based funds. Although a school isn't required to return Stafford Loan funds that were delivered to the borrower (either directly or by applying them to the student account) before the overaward situation occurred, the law doesn't prevent your school from returning funds that were applied to the student account if you choose to do so. A borrower who receives a direct payment of loan funds is not required to repay an overawarded amount, unless the overaward was caused by his or her misreporting or withholding of information.

### *Perkins, FSEOG, and LEAP programs*

You must first try to reduce the overaward by following the steps above for undisbursed Stafford loans. If reducing undisbursed Stafford Loans doesn't eliminate the overaward, you may have to reduce the amount of campus-based aid in the student's package. Campus-based aid need not be reduced if the overaward doesn't exceed $300, which is the overaward threshold for all campus-based programs. The $300 threshold is allowed only if an overaward occurs *after* campus-based aid has been packaged. The threshold does not allow a school to deliberately award campus-based aid that, in combination with other resources, exceeds the student's financial need. (See *Volume 4: Campus-based Common Provisions.*)

You should try to eliminate the overaward by reducing future payments of campus-based aid. If the overaward can't be eliminated by reducing future payments of campus-based aid, the student must repay the full amount of the campus-based disbursements that exceeded his or her need. However, the student cannot be required to repay FWS wages that have been earned.

### *FWS Program*

Because the student can't be required to repay wages earned, you can only adjust FWS by reducing future payments. You can continue to employ the student, but the student can't be paid from FWS funds. If you've already adjusted all other federal aid and institutional aid, and there's still an overaward, you must reimburse the FWS program from your school's funds. You cannot require the student to repay wages earned, except in the case of proven student fraud.

## TREATMENT OF OVERPAYMENTS

An overpayment is created whenever the student receives SFA funds that exceed his or her eligibility. Overawards are one cause of overpayments; overpayments can also be caused by misreported FAFSA information, miscalculated costs or EFC, payments to an ineligible student, or payments in excess of grant or loan maximums.

If a student receives a Pell overpayment, usually because of misreporting on the FAFSA, he or she can continue to receive SFA funds if the overpayment can be eliminated by reducing the subsequent Pell payments for the same award year. If the overpayment is created by a combination of an accurate Pell award and aid from other programs, the other aid awards would be adjusted, not the Pell Grant.

**Examples of overpayments due to school error**

*Allen received a Pell at Sarven Technical Institute. Although Sarven had the correct EFC on Allen's ISIR, a different EFC was used in the Pell calculation, so Allen received too much money. Because the overpayment is due to a school error, Sarven is liable for the overpayment.*

*Owen received an outside scholarship to attend Guerrero University. The bursar's office was notified of the scholarship so that it would apply the payments properly, but didn't notify the financial aid office. Owen received a Perkins Loan, but the financial aid office didn't take the scholarship into account when awarding the loan, because it didn't know about the scholarship. When the financial aid office later finds out about the scholarship, it discovers that Owen received too much aid, and has a $600 Perkins overpayment. Because the school had information about the scholarship (even though the financial aid office didn't), the overpayment is due to a school error.*

**Overpayment due to interim disbursement cite**
*34 CFR 668.61(a)*

A student who receives an overpayment through the FSEOG, LEAP, or Perkins Loan program can continue to receive SFA funds if the overpayment can be eliminated by adjusting subsequent financial aid payments (other than Pell) within the same award year. If additional resources (not to exceed $300) become available to the student after you have packaged his or her aid, you do not have to adjust the student's Campus-based aid awards. However, if the overpayment was the result of a school error—for instance, if your office was aware that the student had received an academic scholarship but neglected to count it in the student's aid package, the $300 tolerance does not apply. You must treat the full amount as an overpayment, as described below.

### Overpayments due to school error or interim disbursement

Your school is liable for overpayments that result from its error, such as an incorrect award calculation or an award that was made in spite of conflicting information. Your school is also responsible for any interim aid disbursements that were made before verification was complete, if verification ultimately showed that the student was ineligible. (See the *Application and Verification Guide*.)

If the overpayment was the result of your school's error and you can't eliminate the overpayment in the same award year, you must repay the overpayment; the student then does not owe an overpayment and may receive SFA funds.

If the overpayment is the result of an interim disbursement, you can also continue to pay SFA funds to the student if the student repays the overpayment in full or makes repayment arrangements that you deem satisfactory. If the student won't repay the overpayment, you must repay the overpayment from your school's funds within 60 days following the student's last day of enrollment or by the last day of the award year, whichever comes first. Again, once your school satisfies the overpayment, the student regains eligibility.

### Overpayments due to student error

If a student's error or failure to report information caused the overpayment, the student is responsible for repaying the overpayment. If the overpayment can't be eliminated by adjusting later disbursements in the award year, the student can't receive additional SFA funds until he or she repays the overpayment in full or makes repayment arrangements that you find to be satisfactory. If the student won't agree to repay, you aren't liable for the overpayment, but must make a reasonable effort to contact the student and collect the overpayment. In the case of an FSEOG overpayment, you must promptly attempt to recover the overpayment by sending a written notice to the student requesting payment in full.

If the student is responsible for repaying the overpayment, you may, if you choose, make the repayment for the student (that is, you can return to the SFA program accounts the amount overpaid to the student). When you make such a repayment on the student's behalf, the student is no longer considered to owe an overpayment. Instead,

**Examples of overpayments due to student error**

*When Chavo applied, he didn't have his W-2 forms, so he estimated his income and said that he wasn't going to file a tax return. After he received his aid from Sarven Technical Institute in June, he told the FAA that he'd underestimated his income, and had had to file a tax return. When Chavo submitted the corrections, his EFC was increased, and Sarven determined that he'd received a Pell overpayment. Sarven canceled his second Pell disbursement, but he still owed $100. Sarven allowed Chavo to make a repayment agreement to repay $25 a month for four months so that he'd still be eligible for other aid for the rest of the year.*

*Meurig has to report financial information about his father on the application, although he's living with his stepfather. On the 2000-2001 application, he doesn't report any assets for his father, and Brust Conservatory uses the information from that application to award SFA aid. However, his 2001-2002 application is selected for verification, and during the verification process Brust discovers that Meurig's father has a business that should have been reported as an asset. Brust asks for tax information for the previous year, and determines that Meurig should also have reported the business as an asset on the 2000-2001 application. Meurig's EFC increases when he makes the correction, and he received an overpayment for the 2000-2001 award year. Because he's already received all his aid for the year, he has to either pay the overpayment or make a repayment agreement.*

**Reporting overpayments to NSLDS cite**

*"Dear Colleague" Letter GEN-98-14, July 1998*

the student owes an institutional debt that your school can collect according to its own procedures. Because the student doesn't owe an overpayment, he or she is eligible for SFA funds as long as all other eligibility criteria are met.

### *Reporting overpayments to NSDLS*

You must report overpayments or changes to previously submitted information to NSLDS within 30 days of the date you learn of the overpayment or change.

Note: If the grant overpayment is the result of the student's withdrawal and a Return to Title IV calculation, you must contact the student within 30 days of the determination. You must inform the student of the type and amount of the overpayment and the student's options to a) repay in full, b) establish a repayment plan satisfactory to your school, or c) make a repayment arrangement with ED. In the case of a Return to Title IV programs, we recommend that you delay reporting the grant overpayment to NSLDS up to and through the earlier of the date the student takes positive action as in b or c above or the 46th day. If the student fully repays the overpayment with the 45-day period of extended eligibility, no overpayment reporting is required to NSLDS. See *Volume 2: Institutional Eligibility*, chapter 6.

You only report unresolved overpayments if they're due to student error; don't report overpayments that are a result of school error—instead, as discussed previously, you must use school funds to repay the overpayment.

You must use the on-line NSLDS screens to report overpayments, which means that your school must have on-line access to NSLDS. (Dear Partner Letter GEN-00-20 gives the most recent technical specifications.) For information on entering overpayment data, see Chapter 7 of *The NSLDS: The Paperless Link: Computer Assisted Training Guide*. This publication is available on the IFAP web site <http://ifap.ed.gov>, or call 1-800-999-8219 to ask for a copy.

Once the overpayment is reported to NSLDS, the student's future output documents will show that he or she has an overpayment (see "NSLDS Match"). The Financial Aid History section of the SAR and ISIR will have information on the overpayment, including whether the student has made repayment arrangements.

### *Referring overpayment cases to DCS*

If you've tried but haven't succeeded in collecting a Pell or FSEOG that was not due to school error, you must refer the overpayment to the Department's Debt Collection Service (DCS). To be referred to DCS, the amount of a Pell overpayment must be at least $25 and the federal share of an FSEOG overpayment must be at least $25. (See the *Volume 3: Pell Grants* and the Campus-Based Programs volumes for more information.) You must make this referral in addition to reporting the overpayment to NSLDS.

### School resolves student concerns before referral

*If a student claims that a school's FSEOG overpayment determination is erroneous, the school must consider any information the student provides and determine whether the objection is warranted before referring the case to DCS.*

### Overpayments created by exceeding loan limits

*Another kind of overpayment is when the student has received SFA funds in excess of annual or aggregate loan limits. If the student inadvertently exceeded the limits, he or she must repay the extra loan amount in full or make repayment arrangements that are satisfactory to the loan holder. The student will remain ineligible for further SFA funds until one of these conditions is met.*

*Because you're responsible for knowing the student's prior SFA awards before disbursing additional funds to the student, excess borrowing shouldn't occur often. The most likely cases in which excess borrowing can occur is when the student received SFA funds at another school, and/or the student used different names or SSNs when borrowing.*

*See Chapter 3 for information on how the NSLDS postscreening and transfer monitoring processes can help prevent these kinds of overpayments.*

**Return to SFA funds less than $25**
*As discussed in Volume 2—Chapter 6, you may be required to report an overpayment to DCS in cases where a student withdraws and owes a return of funds to the SFA programs. If the original amount to be returned is less than $25, it is considered a "de minimus" amount and does not need to be reported as an overpayment.*
*GEN-00-24*

If you choose not to refer such overpayment cases to DCS, your school is then liable for the overpayments and must repay the appropriate SFA program funds from its own funds. If the federal share of an FSEOG overpayment is less than $25, and you can't collect from the student, you aren't required to take further action.

To refer a Pell or FSEOG overpayment case to DCS, you must provide all information necessary for collection on the case, as described later in this chapter. In addition, when you refer the overpayment, you should update the overpayment information previously reported to NSLDS by changing the Source field from SCH to TRF (see *The NSLDS: The Paperless Link: Computer Assisted Training Guide*).

Remember that even if the amount owed is less than $25, it's still an overpayment, and the student will continue to be ineligible for federal student aid funds at any school until the amount is repaid or until satisfactory repayment arrangements are made. You should use all available means to recover the overpayment from the student, in accordance with your school's standard policies and procedures, for as long as the you believe is reasonable.

▼ *School responsibility.* Once you receive confirmation from the Department that the referred account has been accepted, you have no responsibility in the collection of the debt unless the student contacts your school to make repayment. If the student tells you that he or she wishes to make repayment, you should accept payment on behalf of the Department and forward the payment to the Debt Collection Service. You should put the student's name and SSN on the check. If the check covers more than one student, list each student's name and SSN and each payment amount. Send to the U.S. Department of Education Debt Collection Service at P.O. Box 4169, Greenville, Texas 75403-4169

If the student whose overpayment case has been accepted by the Department wishes to establish a repayment schedule, the student should contact DCS at 1-800-621-3115 or DCS_HELP@ed.gov.

▼ *DCS responsibility.* Upon receipt of an overpayment referral, DCS will determine if enough information has been provided to start collection activity; any referral lacking information will be returned to your school. If the referral information is complete, your school will receive a letter confirming receipt and acceptance of the overpayment referral.

DCS will then start collection activity (letters and telephone contacts) to try and establish a repayment schedule or secure payment in full. DCS will also update the NSLDS information that you've already reported to show that DCS now holds the overpayment. In the future, the student's SAR and ISIR will show that he or she still owes an overpayment, but will now direct the student to contact DCS instead of the school.

## Information for Overpayment Referral to DCS

*Not applicable for aid returned for student withdrawals—use referral information in Volume 2, Chapter 6.*

**DCS will need the following information before it can accept an overpayment account from a school. Each referral must be typed and submitted on institutional letterhead.**

### PART 1. Student Information

Name:
Address(es):
Social Security Number(s):
Telephone Number(s):
Date of Birth:

### PART 2. Parent/Spouse Information

Name(s):
Address(es):
Social Security Number(s):
Telephone Number(s):

### PART 3. Disbursements and Repayments

1. Name of aid program: ______________________________
2. Total amounts disbursed: $________
   a. Amount credited to tuition account: $________
   b. Amount disbursed in hand: $________
3. Dates of disbursement(s): ______________ ______________
4. Costs incurred by student: $________
5. Amount determined to be owed: $________
6. Total amount of debt repaid to institution: $________
7. Date of last payment to institution, if any: ________
8. Total amount being referred: $________
   (For FSEOG, provide federal share amount only)

### PART 4. Other Required Information

Award Year of Overpayment:
Student Education Costs:
Name and Telephone Number of Institutional Contact:
Pell Identification Number of Institution:

### PART 5. Detailed Explanation of Reason for Overpayment

Provide a detailed explanation of the reason for the overpayment. Each account reported to ED *must* contain this explanation.

**FORWARD THE REFERRAL INFORMATION TO:**

U.S. Department of Education
Student Financial Assistance Programs
c/o Student Loan Processing Center
Program Overpayments
P.O. Box 4157
Greenville, Texas 75403

*U.S. Government Printing Office: 2001— 480-290

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Student Financial Assistance
US Department of Education
ifap.ed.gov